

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**Proposal for the Expansion of the NEPAD-Infrastructure Project
Preparation Facility (NEPAD-IPPF) into a Multi-Donor Special
Fund – The NEPAD-IPPF Special Fund**

NEPAD SUPPORT UNIT

MEMORANDUM

TO : THE BOARD OF GOVERNORS

FROM : THE BOARD OF DIRECTORS

**SUBJECT : ESTABLISHMENT OF A NEPAD INFRASTRUCTURE
PROJECT PREPARATION FACILITY SPECIAL FUND**

I. INTRODUCTION

- 1.1 It may be recalled that at the request of the Heads of State and Government Implementation Committee (HSGIC) of the New Partnership for Africa's Development (NEPAD) initiative, the Bank, since November 2001, has been providing technical assistance and advisory services in support of the development and implementation of the initiative. In supporting NEPAD, the Bank acknowledged that NEPAD is consistent with its Vision Statement, the goal of which is poverty reduction and the sustainable growth of African economies. This consistency remains valid, and has encouraged the Bank's continued involvement in the implementation of the initiative.
- 1.2 It may also be recalled that following the establishment of NEPAD, the 2002 G.8 Summit in Kananaskis placed the Initiative as one of the important items on its agenda. As an indication of its commitment to the NEPAD initiative, the Government of Canada set up a Special Fund known as the Canada Fund for Africa (CFA), with an amount of 500 million Canadian dollars, to be committed over a period of five (5) years.
- 1.3 As part of the activities of the CFA, the Government of Canada accorded the Bank a grant in the amount of 10 million Canadian dollars to support the Bank's activities in the implementation of the NEPAD Initiative,

specifically with respect to Infrastructure development (the "NEPAD-IPPF Grant"). The NEPAD-IPPF Grant is untied, and funds a dedicated facility for infrastructure project and programme preparation under NEPAD. The operationalisation of the NEPAD-IPPF Grant gave a strong signal of Canada's support of the NEPAD Initiative through the Bank, by coordinating efforts to facilitate the preparation of viable and bankable projects and programmes for the development of infrastructure so as to attract more public and private investments for the development of infrastructure in Africa.

- 1.4 Following the approval of the Board of Directors, the Bank and Canada signed the Protocol of Agreement for the NEPAD-IPPF Grant, in December 2002, and in this regard, both parties agreed that the NEPAD-IPPF Grant would be implemented as an interim arrangement, pending the establishment of a multi-donor Special Fund under Article 8 of the Bank Agreement, which requires the approval of the Board of Governors.
- 1.5 A number of donors have indicated a willingness to contribute to the Special Fund and in particular, Denmark has already made a contribution of 500,000 United States Dollars, in addition to the NEPAD-IPPF Grant.
- 1.6 Upon approval of the Special Fund by the Board of Governors, the existing NEPAD-IPPF Grant will be rolled into, and form an integral part of, the fund.
- 1.7 The draft Instrument for the Establishment of the Special Fund (the "Instrument") is attached hereto for your consideration. Notably, the Board of Directors reviewed the related Policy Paper and the Instrument at its meeting of 29 June 2005.

2. CONCLUSION AND RECOMMENDATION

In light of the foregoing, the Board of Governors is invited to consider the proposed Instrument and adopt the attached Resolution establishing the Special Fund, in accordance with the terms contained in the Instrument.

1. Introduction

- 1.1 The New Partnership for Africa's Development (NEPAD) has identified infrastructure as one of the major parameters for economic growth and poverty reduction in Africa. The present infrastructure gap between Africa and more developed countries constitutes a serious handicap to African production and improved productivity. Without addressing its infrastructure needs, Africa will continue to remain internationally uncompetitive.
- 1.2 The African Development Bank has been assigned a leadership role in the provision of intellectual and technical support to the NEPAD in Infrastructure Development and in Fostering Banking and Financial Standards. In infrastructure development, the Bank has prepared a program for the rapid development of infrastructure projects that are necessary to accelerate sub-regional and continental economic integration.
- 1.3 Following the establishment of the New Partnership for Africa's Development (NEPAD), the G.8 Summit in Kananaskis placed the Initiative as one of the important items on its Agenda in 2002. At the G8 Kananaskis Summit, the Prime Minister of Canada announced commitments in support of the Africa Action Plan, the G8 response to (NEPAD), including initiatives related to infrastructure development in the form of a Special Fund known as the Canada Fund for Africa (CFA), with an amount of 500 million Canadian dollars over a period of 5 years..
- 1.4 Under the Canada Fund for Africa, the Government of Canada pledged a Trust Fund with an initial amount of 10 million Canadian dollars to support the Bank's activities in the implementation of the NEPAD Initiative, and to be managed by the Bank Group. The Trust Fund is an untied project and programme preparation facility for the preparation of NEPAD infrastructure projects and programs. The Trust Fund demonstrated Canada's commitment to strengthen its collaboration with the ADB and make NEPAD a success. The NEPAD Infrastructure Action Plan prepared by the Bank Group formed the basis on which the Canada Fund for Africa (CFA) pledged the creation of the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF) at the Bank
- 1.5 In recognition of the need for contributions to be made by other interested donors, the Canadian government proposed to the Bank to institutionalize a multi-donor fund to support the preparation of viable infrastructure projects and programs under the NEPAD initiative. As at the time of setting up the Trust Fund by the Bank Group, due to the procedural time required for creating an un-tied Multi-donor Facility and moreover, in order to comply with the schedule defined by Canada for the first disbursement of the grant, it was agreed that, as a first step, a simple untied grant agreement between the Government of Canada and the ADB Group would be prepared. Subsequently, the Bank Group would establish an untied Common Fund, open to other donors (bilateral and multilateral).
- 1.6 Following this, in November 2003, the Boards of Directors of the Bank Group approved the creation of a NEPAD Project Preparation Facility (NEPAD-IPPF) as an untied bilateral facility. The Boards of Directors of the Bank Group further approved the Grant Agreement between CIDA and the Bank Group (see Annex 1), and

authorized management to sign the Grant Agreement, conclude with the Canadian International Development Agency (CIDA) the requisite working arrangements, and take all such actions as may be necessary for the proper implementation of the terms of the Grant Agreement. The NEPAD-IPPF became operational in January 2004 following the approval by management of the operation procedures of the facility and guidelines to prospective beneficiaries.

- 1.7 In 2004, the Government of Denmark contributed the sum of USD 500,000 towards an un-tied multi-donor NEPAD-IPPF facility to support project and program preparation in infrastructure development. However, presently, there is no mechanism to channel this funding since the present NEPAD-IPPF is a bilateral arrangement between the Bank and CIDA, and the Bank found it administratively undesirable to create multiple un-coordinated bi-lateral funds in support of NEPAD Infrastructure development.
- 1.8 There is therefore the need to expand the present facility into an un-tied multi-donor facility. Furthermore, following Bank Group bilateral discussions with other bilateral and multi-lateral donors, interest has been generated for contributions into a multi-donor facility. The mobilization of funding into the NEPAD-IPPF can only be achieved when the Bank has properly instituted the appropriate instrument to facilitate this in support of the NEPAD initiative.

2. **Legal Structure of the Multi-donor NEPAD-IPPF**

- 2.1 Article 8 of the Agreement establishing the Bank (the "Bank Agreement") authorizes the Bank to establish Special Funds that are designed to serve the purposes for which the Bank was created, and that come within its functions. The purpose of the proposed multi-donor NEPAD-IPPF is consistent with the mandate and functions of the Bank. Specifically, the NEPAD-IPPF is to mobilize technical and financial resources to strengthen the capacity of African institutions and governments to formulate viable infrastructure and development projects and programs so as to attract more public and private investments for the benefit of regional member countries (RMCs) of the Bank.
- 2.2 In view of the positive experience of the Bank with the establishment and administration of Special Funds, the establishment of a NEPAD-IPPF multi-donor Special Fund to which the contributions of the resources of the NEPAD-IPPF, specifically, the grant from Canada as well as Denmark, will be transferred, and to which other donors may make contributions, is consistent with the purpose and functions of the Bank as stipulated in Article 8 of the Agreement establishing the Bank.
- 2.3 The terms for the establishment of the Special Fund are set out in the attached Instrument for the Establishment of the NEPAD Infrastructure Project Preparation Facility Special Fund. These terms include the administration of the fund by the Bank, as Trustee, and covers other issues such as: (i) Objective and Purposes; (ii) Administration; (iii) Structure and Governance; (iv) Financial Arrangements; (v) Operations; and (vi) General Provisions.

3. **Rationale**

- 3.1 One of the main priorities of NEPAD is the promotion of regional integration in the continent because individual African economies are typically too small to generate the economies of scale that can be found in larger markets. Bridging the infrastructure gap has been identified as an important element of promoting regional integration in Africa. Infrastructure is defined in this context as energy, water, transport, and information and communications technology (ICT). The development of regional infrastructure is critical for sustaining regional economic development and trade.
- 3.2 Under present conditions of country focused support from key donors, including the Bank Group, the preparation and development of multi-country infrastructure projects has not been very effective. Therefore, in order to realize the potential for promoting regional integration in Africa through the development of regional infrastructure, there is a dire need for multi-country projects to be adequately prepared to a stage where they can attract necessary financing from both the public and private sectors.
- 3.3 In view of the huge infrastructure needs of the continent, and the need to ensure that adequate funds can be mobilized towards project preparation in infrastructure, the creation of a project preparation facility specifically focused on the preparation of high quality multi-country infrastructure projects is therefore necessary. The initiative from Canada with seed financing for a project preparation facility was geared to spur such activities.
- 3.4 The present facility as it is configured supports mostly preparation activities designed to bring regional infrastructure projects to a bankable stage with limited consideration for facilitation and targeted capacity building activities necessary for effective development and maintenance of infrastructure assets and projects. One of the key needs identified in the NEPAD STAP is the creation of the enabling environment for infrastructure development, for example, development and harmonization of regulatory systems in energy, ICT and transport sectors. The institution of a multi-donor facility will in addition to advancing physical projects, also allow us to support key initiatives designed to create the enabling environment for infrastructure development, and enhance the efficiency of existing and planned infrastructure assets.
- 3.5 A further limitation of infrastructure development in the continent is the lack of private sector participation in the development and financing of projects and programs. One of the main reasons for this is the lack of an enabling environment for private sector participation in infrastructure development in most of the countries leading to a lack of active interest amongst possible private sector participants in the development of regional programs. It is therefore important to support facilitation initiatives geared towards supporting the creation of an enabling environment for private sector participation as well as targeted capacity building programs necessary for strengthening private sector capacity for infrastructure development.

- 3.6 In addition to this, based on the pipeline of projects and programs received to date (Annex 2) from the different regions of the continent, there is a huge need for support to be extended to facilitation type and targeted capacity building initiatives.

4. **Goals and Objectives**

- 4.1 The long-term goal of NEPAD is to eradicate poverty in Africa, and to place African countries, both individually and collectively, on a path of sustainable growth and development and thus halt the marginalization of Africa in the globalization process. The goal of the NEPAD-IPPF is to support the long-term goal of NEPAD with respect to infrastructure development.
- 4.2 The principles and objectives of NEPAD are: to ensure African ownership, responsibility and leadership; to make Africa attractive to both domestic and foreign investment; to unleash the economic potential of the continent; and to achieve and sustain a high economic growth for the next 15 years; to ensure that the continent achieves the Millennium Development Goals; to increase investment in human resource development; to promote the role of women in all activities; and to promote sub-regional and continental economic integration.
- 4.3 A key objective of the NEPAD-IPPF is to assist African countries, Regional Economic Communities (RECs) and related infrastructure development institutions, to prepare high quality, viable regional infrastructure projects in energy, trans-boundary water resource management, transport, and ICTs, which would be ready to solicit financing from public and private sources in support of the objectives of NEPAD.
- 4.4 A secondary objective of the NEPAD-IPPF, in relation to the objectives of NEPAD, is to support the creation of an enabling environment of private participation in infrastructure as well as support to targeted capacity building initiatives in infrastructure development to enhance the sustainability of existing and planned infrastructure in the continent.
- 4.5 The NEPAD-IPPF will promote and facilitate the preparation of regional infrastructure projects and programmes that have been approved within the context of the NEPAD Infrastructure Program.

5. **Status of Existing NEPAD-IPPF**

- 5.1 Since the creation of the NEPAD-IPPF, the following activities have been carried out in accordance with agreed schedules:
- a) Operationalisation of the IPPF; preparation and approval of Operational Guidelines, preparation and approval of information note to potential beneficiaries;
 - b) Sensitisation of potential beneficiaries of the IPPF including wide dissemination of information on the IPPF and missions to regional organizations for detailed

briefing and guidance on the IPPF modalities and operating principles and guidelines;

- c) Formal launching of the IPPF by Heads of States and Government of NEPAD;
- d) Receipt and collation of requests for IPPF assistance including a database of incoming requests;
- e) Initial screening of requests to review their eligibility for IPPF assistance;
- f) Selection of possible requests for detailed evaluation;
- g) Launching of technical missions to selected projects for detailed evaluation of projects for IPPF assistance;
- h) Preparation of an IPPF Project Information Memorandum (PIM) for selected projects;
- i) Review by Internal and Inter-departmental Working Groups and consideration by a senior management committee of PIM's prior to approval.
- j) Approval of PIM's by the Vice President, ONVP and subsequent communication of agreement letter to recipients.
- k) Presentations to a number of potential donors both within and outside the Bank to sensitise them on the facility and prepare the ground for possible mobilization of funds into the facility.
- l) Development of instruments for the expansion of the IPPF into a multi-donor facility.

5.2 **NEPAD-IPPF Project Review and Processing Process:** Presently, the procedures adopted in reviewing and processing of projects for IPPF consist of desk review of project objectives, components, outputs, institutional framework for implementation in line with the guidelines of the Agreement establishing the IPPF and in accordance with operational procedures of the NEPAD-IPPF. Projects that are linked to the development of physical projects, have regional dimension, and are at a relatively advanced stage of preparation are selected for detailed evaluation. Detailed evaluation of projects consist of a mini field appraisal of projects in accordance with operational guidelines using as appropriate services of infrastructure departments where such are considered necessary. Upon completion of the mini field appraisal, a project information memorandum is prepared for each project. The project information memorandum is subjected to an internal, inter-departmental, and senior management reviews prior to submission for approval by the Vice President, ONVP.

5.3 **Projects Reviewed in 2004:** Four physical/investment projects and one facilitation project were evaluated in 2004, namely: a) Kenya-Uganda Oil Pipeline Project; b) Zambia-Tanzania-Kenya Electricity Inter-connection Project, c) Benin-Togo-Ghana Electricity Inter-connection Project, d) COMTEL–Terrestrial Telecommunication

Inter-connection project, and f) e-Commission Rationalisation of ICT Infrastructure Projects in West and Central Africa region. Project Information memoranda for the physical/investment projects were completed within the year.

- 5.4 **Projects Approved in 2004:** Four physical projects, namely, Kenya-Uganda Oil Pipeline Project, Benin-Togo-Ghana Electricity Inter-connection Project Zambia-Tanzania-Kenya Electricity Inter-connection Project, and COMTEL–Terrestrial Telecommunication Inter-connection project were approved in 2004. Details of the projects and costs are summarized in Table 1.

Table 1: Summary Details of Projects Approved for IPPF in 2004

Project	Objective of Preparatory Activity	IPPF Amount
Kenya-Uganda Oil Pipeline Project	The objective of the preparatory activities for which the NEPAD-IPPF is sought is to support the Governments of Uganda and Kenya in the solicitation process for a private sector investor to the project. This would entail the tender process leading to bidding, evaluation, award, negotiation and signing of a contract for joint venture with a private sector investment partner, and assisting the Governments of Uganda/Kenya in securing financing for the pipeline project.	USD454,443
Benin-Togo-Ghana Power Interconnection Project	The objective of the preparatory activities for which the NEPAD-IPPF is sought is to support the Governments of Benin, Togo, and Ghana through their electricity utilities to update the feasibility study and detailed designs of the Benin-Togo-Ghana electricity interconnection, and the development of a detailed Environmental Impact Assessment for the project. The output of this would ensure that the project is adequately prepared and readied for financing through a combination of public and private sources.	USD500,000
Zambia-Tanzania-Kenya Electricity Interconnection Project	The objective of the preparatory activities for which the NEPAD-IPPF is sought is to support the Governments of Zambia, Tanzania, and Kenya in engaging a transaction advisor to assist the three governments to institute a successful solicitation process to facilitate the attraction of private sector participants and the attainment of Financial and Legal Closure for the Project.	USD500,000
COMTEL Project	The objective of the preparatory activities for which the NEPAD-IPPF is sought is to support COMTEL through COMESA to complete outstanding project development work, vis-à-vis, updating the feasibility study for the project, undertaking due diligence with respect to the review of financial, technical, and legal aspects of the project and the preparation of a Project Information Memorandum (PIM) for presentation to the public and private investors.	USD500,000

6. Proposed Areas of Intervention of the Multi-donor Facility

- 6.1 The purpose of the multi-donor NEPAD-IPPF is to contribute to the mobilization of technical and financial resources to strengthen the capacity of African institutions and governments to formulate viable infrastructure development projects and programs so as to attract more public and private investments for the benefit of Regional Member Countries (RMC). The facility is specifically designed to support the development of multi-country, regional, and continental infrastructure development projects and programs in the information and communications technology (ICT), transport, energy, and trans-boundary water resource management sectors.
- 6.2 Key activities that would be supported by the NEPAD-IPPF include a) Project Cycle Support Activities (primary focus), and b) activities designed to ensure the creation of a sustainable enabling environment for infrastructure development and private sector participation. Activities eligible for the facility will focus on the following areas: missions; advisory services (technical, economic and financial); studies (geared

towards enhancing viability of projects and programs); technical assistance; workshops and seminars (those targeting brokerage of agreements for implementation of multi-country projects); and generally, any other activity of an advisory or operational nature related to preparation of projects and programs in the area of infrastructure development within the framework of the New Partnership for Africa's Development (NEPAD).

- 6.3 Project Cycle activities would entail, provision of critical technical advice and assistance in analyzing projects, including review and revision of draft project proposals, tender documents, and environmental and regional impact analyses. It will also include activities designed to assess key opportunities for private/public partnerships where limited and timely assistance in their preparation and implementation is required.
- 6.4 Enabling Environment activities include: provision of critical assistance to programs that can improve the enabling environment for delivery of infrastructure services, namely: building consensus for appropriate policy, regulatory and institutional reforms; identification, promotion and dissemination of best practices in infrastructure development and operations; and; support for targeted institutional capacity building efforts of RECs and implementing agencies in infrastructure.

7. Country Eligibility and Beneficiary Contribution

- 7.1 All Regional Member Countries of the Bank Group are eligible for grants from the NEPAD-IPPF as long as the proposed activity is to support regional infrastructure development. Regional Economic Communities (RECs) and specialized regional or continental institutions in infrastructure development are also eligible for NEPAD-IPPF. NEPAD-IPPF grants would be approved on the basis of need and on a first-come first-serve basis. However, necessary measures would be taken to avoid marked imbalances in the approval of resources as far as regions are concerned without compromising on the quality of programmes and projects to be supported under the IPPF.
- 7.2 Projects promoted solely by Private sector organisations would not be eligible for financing under from the multi-donor NEPAD-IPPF. However, projects promoted by the private sector within a Public Private Partnership are eligible for financing from the multi-donor NEPAD-IPPF.
- 7.3 The Bank Group sanctions policy also will not be applicable to the multi-donor NEPAD-IPPF.
- 7.4 In line with Bank Group policies, and the need to ensure full ownership of the preparatory program/project, beneficiary contribution would be a necessary condition for the granting of IPPF. It is proposed that beneficiary contribution shall not be less than 10% of the total cost of the project/program for physical projects and not less than 5% of the total cost for facilitation and capacity building projects/programs. The actual level of beneficiary contribution to the cost of the preparatory activities would be determined during approval. The Operations Manual for the Facility to be

developed on approval of the special fund will expand further on beneficiary contributions and cost recovery measures.

8. Implementation Period

- 8.1 It is proposed that the facility be operated, initially, for a period of fifteen (15) years. The proposed period of the facility is in line with the period of implementation of the overall NEPAD program as indicated in section 3.2. It would also enable a linkage to the achievement of the MDG goals, one of the objectives of the NEPAD program (Section 3).
- 8.2 In addition to this, the Bank is currently preparing the Medium-Long Term Strategic Framework (MLTSF) for infrastructure development in the continent. The success of the MLTSF would depend on the degree to which key projects and programs are sufficiently advanced for development in the sub-regions of the continent. The proposed period for the NEPAD-IPPF is also linked to the NEPAD medium to Long-Term Strategic Framework currently being developed by the Bank for NEPAD.
- 8.3 Furthermore, given the gestation time necessary and required for the development of infrastructure projects, and in particular regional infrastructure projects and programs, a shorter time period may not deliver the key objectives envisaged for the IPPF.

9. Contributions to the NEPAD-IPPF

- 9.1 Any member country of the Bank, or any country eligible to be a member country (which in this case, will include those countries that are eligible to become state participants in the ADF), as well as organizations acceptable to the Bank (World Bank, European Union, etc.), will be eligible to make contributions to the NEPAD-IPPF.
- 9.2 Contributions to the NEPAD-IPPF shall be received by the Bank for use in accordance with the terms and conditions of the Instrument establishing the NEPAD-IPPF. The Contributions will be effected, initially, by a deposit of an Instrument of Commitment by the contributor, stating the specific amount of the contribution, and the payment schedule agreed with the Bank. Thereafter the Bank will draw down the contribution in accordance with the agreed payment schedule contained in the Instrument of Commitment.
- 9.3 The Bank Group, through the African Development Bank, will also contribute to the multi-donor NEPAD-IPPF, however, its contribution shall be in kind, consisting of the salaries of the dedicated staff in the NEPAD Support Unit, missions in support of the NEPAD-IPPF, and other administrative costs for the team that will be responsible for the management of the facility as well as the provision of advisory services to NEPAD. The aggregate contribution of the Bank Group to the facility shall not be less than USD 1.5 million per year based on the current budget of the NEPAD Support Unit and the projected volume of proposals received for IPPF consideration.

10. Administration of the Proposed Facility

- 10.1 The Bank shall, in accordance with its financial rules and regulations and policy guidelines, administer and manage the resources of the multi-donor NEPAD-IPPF through its own organization, services, officers and staff. The Partnership and Cooperation Division of the Bank shall be responsible for general communications concerning the implementation of the Bank's obligations and for the financial administration of the Grant while the Office of the Operations Vice President for North, East and South Region, shall be responsible for the implementation of the Bank's obligations under with regard to the execution of the activities and related technical matters under the facility.
- 10.2 Implementation of the Bank's obligations with regard to the execution of activities and related technical matters shall be undertaken by the NEPAD Support Unit of the Bank as presently constituted by the Bank Group. The NEPAD Unit is staffed with experienced professionals in infrastructure development and other key areas of NEPAD for which the Bank has a mandate.
- 10.3 In the event that the mandate of the NEPAD Support Unit of the Bank is changed or expires, technical activities shall continue to be undertaken through operational and management arrangements that would be constituted in consultation with the Boards of Directors of the Bank Group.
- 10.4 The utilization of the NEPAD-IPPF Special Fund shall be guided by an Operational procedure that shall be developed by the Bank and approved by the Boards of Directors of the Bank Group. The operational procedure shall contain details of project evaluation, review, and approval process, procurement of goods and services, approval thresholds for the facility and other elements of operational nature necessary for a transparent and effective administration and application of the facility.
- 10.5 The Bank shall establish an oversight committee comprising representatives of contributors to the NEPAD-IPPF, representatives of African Countries through the Africa Union/NEPAD Secretariat, and representatives of the Bank Group. It is proposed that the Oversight Committee be composed of seven (7) members consisting of three (3) representatives of contributors to the facility, two (2) members representing African countries through the AU Commission/NEPAD Secretariat, and two (2) members representing the Bank Group.
- 10.6 The Oversight Committee shall be responsible for providing general policy direction for the activities of the NEPAD-IPPF. The main function of the Oversight Committee will be to review the operational focus of the NEPAD-IPPF, the proposed areas of intervention, to ensure consistency with the policy thrust of the Facility. In addition, the Oversight Committee will review the annual report of activities financed from the resources of the NEPAD-IPPF to ensure that activities undertaken are consistent with the NEPAD mandate.

- 10.7 In carrying out its function, the Oversight Committee shall consult regularly with the Bank to ensure consistency of approach with general principles of the facility as well as operational policies and procedures of the Bank Group.

11. Procurement of Goods and Services

- 11.1 The procurement of goods and services under the NEPAD-IPPF facility shall be carried out in accordance with the Rules of Procedures for the Use of Consultants and for Procurement of Goods and Works of the African Development Bank Group. Considering the need for fast tracking the preparation of projects, adequate measures would be taken as would be defined in the operational procedures for the IPPF to facilitate and enhance the procurement of goods and services.
- 11.2 Participation in procurement that may arise from projects/programs emanating from the multi-donor NEPAD-IPPF shall be limited to member countries of the Bank in line with the rules of procedures of the Bank for procurement of Goods, and Services. Where a NEPAD-IPPF contributing country is not a member country of the Bank, it shall be included in the list of countries where goods and services may be procured with proceeds of the NEPAD-IPPF.

12. Outputs and Performance Measurements

- 12.1 Key outputs that are expected from projects and programs to be supported from the NEPAD-IPPF facility are: a) viable infrastructure projects in the key sectors of focus that are ready to receive financing from the public and/or private sectors; b) the capacity of countries, regional economic communities, and specialized infrastructure development agencies that have been enhanced to enable them to design and finalise project proposals; and c) an enabling environment in key project for enhancing competitiveness and accelerating the development, implementation and financing of infrastructure projects and programs has been instituted.
- 12.2 Overall, the IPPF seeks to ensure that both private and public sector developers of infrastructure projects and programs in the continent are aware of the facility and utilize it to fast track the preparation of key infrastructure projects, and that such projects attract necessary financing for their implementation.
- 12.3 In the administration of the facility and monitoring of projects and programs supported by the NEPAD-IPPF, an output based performance system would be adopted to ensure that the overall objectives of the facility are achieved with quantifiable and measurable outputs.

13. Reporting and Consultation

- 13.1 In accordance with Bank Group procedures, separate records of account of the resources of the Grant and operations financed under the multi-donor NEPAD-IPPF would be maintained. In addition to this, the following documents, reports and

financial statements would be maintained by the Bank and disseminated to contributing members of the IPPF upon review by the Board of Directors of the Bank:

- i) semi-annual progress reports on the activities of the IPPF including projects and programs financed out of the resources of the IPPF and the status of progress of financed preparatory projects/programs. The report shall include:
 - a) a description of each activity approved since the last progress report and its objective;
 - b) gender (as may be applicable) and nationality of consultants contracted;
 - c) a brief description of the progress of ongoing activities;
 - d) a brief description of any proposed activities still under consideration;
- ii) annual audited financial statement of funds received and disbursed from the NEPAD-IPPF Account;
- iii) copies of the final version of each study completed .

14. **Disclosure Policy**

- 14.1 The operations of the Facility would be subject to the Bank Group'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.
- 14.2 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.

15. **Mobilisation of Resources**

- 15.1 The creation of an un-tied multi-donor Fund is a recent trend recommended by the G.8 as well as the forum of multilateral development banks and is in line with current moves towards the simplification and harmonization of donor processes and procedures. Overall, the creation of multi-donor untied facilities will promote aid effectiveness and improve aid coordination.
- 15.2 The proposed NEPAD-IPPF multi-donor facility has been conceived, formulated, and configured within the framework of the NEPAD initiative whose Infrastructure Short-Term Action Plan has received the support of a large number of partners including World Bank, United States, France, UK, etc. To date, the Facility has been supported by Canada on a bi-lateral basis and also by Denmark.

- 15.3 Other donors have expressed a strong interest in supporting and contributing to the facility¹. The campaign to mobilise resources from other potential donors is a phase that will come into effect after the existing facility has been expanded into a multi-donor untied facility. The resource mobilisation strategy will entail, a) addressing a formal official request by correspondence to the potential donors; b) Organising special mobilisation campaigns or seminar-oriented missions geared towards mobilisation, from time to time, on business opportunities for partners; c) Sensitisation of partners at annual consultations and the respective Annual Meetings; d) campaigning through the media to disseminate information widely; and e) developing and disseminating information using billboards, posters and E-mails as alternative channels of mobilising resources.
- 15.4 The targeted audience will be potential donors: Multilateral Institutions, countries, and bilateral agencies that have included NEPAD and infrastructure development in Africa on their agenda, as well as all partners who have initiated action in the infrastructure sector in Africa². Countries and African organisations that are interested in the original plan as initiated by NEPAD would also be targeted.

16. **Conclusion and Recommendation**

- 16.1 The development of regional infrastructure in the continent has been demonstrated to be essential for the facilitation of intra and inter-regional trade, improving Africa's competitiveness, and for accelerating overall economic development of the continent. To ensure that regional infrastructure projects and programs are ready for financing, the conducive environment for participation of the private sector in infrastructure exists, and the necessary capacity to develop, implement, and maintain regional infrastructure is retained, there is a need for the proposed multi-donor, untied Infrastructure Project Preparation Facility/Fund (NEPAD-IPPF).
- 16.2 It is recommended that the Board of Directors of the Bank consider and recommend for approval by the Board of Governors of the Bank, the Draft Instrument for the Establishment of the NEPAD-IPPF Special Fund.

¹ The Kuwait and Arab Funds.

² Australia, Belgium, France USA, Germany, Italy, Japan, Holland, China, UNICEF, World Bank for only the water sector for example.

Annex 1
Grant Agreement between CIDA and the ADB

GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF CANADA
AND THE
AFRICAN DEVELOPMENT BANK
AND THE
AFRICAN DEVELOPMENT FUND

(NEPAD – INFRASTRUCTURE PROJECT AND PROGRAMME
PREPARATION FACILITY)

GRANT AGREEMENT

BETWEEN: THE GOVERNMENT OF CANADA ("Canada") as represented by the Minister for International Cooperation, acting through the Canadian International Development Agency ("CIDA");

AND: The African Development Bank and the African Development Fund (hereinafter collectively referred to as the "Bank")

WHEREAS the Bank and CIDA have been collaborating closely for many years on matters of common concern, in regional member countries of the Bank (RMCs) to contribute to the economic development and social progress of the RMCs through, inter alia, the provision of loans, grants, technical assistance and policy advice;

WHEREAS CIDA wishes to make available a grant to the Bank for the New Partnership for Africa's Development ("NEPAD") Infrastructure Project and Programme Preparation Facility (NEPAD-IPPF) to be established by the Bank;

WHEREAS the Bank is willing and able to accept the administration and management of the Canadian Grant in accordance with the provisions set forth in this Grant Agreement (hereinafter referred to as "Agreement"); and

WHEREAS the purpose of this Agreement is to set out the terms and conditions concerning the transfer and the management of such grant by the Bank;

NOW THEREFORE CIDA and the Bank have reached the following understanding:

ARTICLE I

GRANT

1. CIDA will contribute funds in the form of a grant for the NEPAD – IPPF as described in Article II in an amount not to exceed ten million Canadian dollars (CDN \$10,000,000) (the "Grant") to be made available over a period of four years in instalments.
2. CIDA will deposit the Grant with the Bank, upon receipt of a written request by the Bank, into a special account to be opened by the Bank and maintained in the joint names of the African Development Bank and the African Development Fund (hereinafter referred to as the "NEPAD-IPPF Account")
3. The Grant will be administered by the Bank in accordance with the terms of this Agreement exclusively for the preparation and/or implementation of the NEPAD –

IPPF in conformity with the objectives herein and in accordance with the Bank's rules and regulations. The funds provided by CIDA under the Grant are untied.

4. The Grant will be managed separately and apart from any trust and special funds created by the Bank and classified as such pursuant to the provisions of the Agreement establishing the African Development Bank and the Agreement establishing the African Development Fund. The Bank will be entitled to draw on the Grant for financing the fees and other reimbursable costs of the activities to be financed pursuant to Articles II and III hereof in accordance with the Bank's applicable procedures. The Grant may be freely exchanged by the Bank into other currencies as may facilitate disbursement.
5. The resources made available by the Grant may be combined with other resources contributed for the same purpose but shall be kept separate and apart from the funds of the Bank.
6. The Bank will be under no obligation to repay to CIDA funds applied to meet the cost of activities which the Bank has disbursed from the Grant.
7. The Bank may invest and reinvest the funds including accrued interest in the NEPAD-IPPF pending their application as provided hereunder. The income from such investment or reinvestment will be retained in the NEPAD-IPPF Account for use for the same purposes as described hereunder and will be acknowledged by the Bank as part of Canada's overall contribution.
8. It is expected that the funds will be fully disbursed in accordance with the provisions of this Agreement within four (4) years of signature of this Agreement.
9. Upon written request by Canada, the Bank will cause the account and records of any specific completed project, programme or activity financed under this Agreement to be audited by its external auditors. The costs of the external audit will be borne by the Grant.

ARTICLE II

PURPOSES OF THE NEPAD-IPPF, ELIGIBLE SECTORS AND ACTIVITIES

1. The purpose of the NEPAD-IPPF is to assist in mobilising additional technical and financial support to strengthen the capacity of leading African institutions and governments to develop high quality viable project proposals in the area of infrastructure development that can attract development financing from the public and private sectors for the benefit of the regional member states of the Bank (hereinafter referred to as the "Regional Member Countries" or "RMCs"). Infrastructure development under the NEPAD-IPPF is understood by the parties to include information and communications technology, transport, energy, water and sanitation.
2. Eligible activities are missions, advisory services, studies, technical assistance, workshops and seminars and, generally, any other activity of an advisory or technical

or operational nature related to preparation of development projects and programmes in the area of infrastructure development within the framework of the New Partnership for Africa's Development (NEPAD).

ARTICLE III

ADMINISTRATION AND MANAGEMENT OF THE GRANT

1. The Bank shall, in accordance with its financial rules and regulations and policy guidelines, administer and manage the resources of the Grant through its own organization, services, officers and staff. The Bank designates its Partnership and Cooperation Division as the unit responsible for general communications concerning the implementation of the Bank's obligations and for the financial administration of the Grant. The Office of the Operations Vice President for North, East and South Region, shall be responsible for the implementation of the Bank's obligations under this Agreement with regard to the execution of the activities and related technical matters.
2. The resources shall be managed, subject to this Agreement, in accordance with the common understanding of the parties as expressed in a document titled NEPAD Infrastructure Project Preparation Facility which shall be Annexed to this Agreement, as may be modified from time to time by the parties. The Bank shall establish an oversight committee (the "Committee") comprising representatives of CIDA, the Bank and, as the case may be, of other contributors to the NEPAD-IPPF. The Committee shall meet once a year, , to review the progress made during the year and to examine the work plan and objectives for the coming year. The Bank shall provide the venue for the meeting. Representatives of recipient RMCs and organizations will be accorded invitation to attend the meetings of the Committee, as observers.
3. In administering and managing the resources of the Grant, the Bank shall exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own resources and affairs, and shall have no further liability to CIDA in respect thereof.
4. When making payment, CIDA shall instruct its relevant service to advise the Treasury Department of the Bank by SWIFT as to the amount received in the NEPAD-IPPF Account, that it is from CIDA for activities in support of NEPAD-IPPF and the date of the deposit.
5. All financial accounts and statements shall be expressed in the Units of Account of the Bank and shall be subject to the usual internal and external auditing procedures of the Bank.
6. The Bank shall maintain separate records and ledger accounts in respect of the Grant and disbursement thereof.
7. In the discharge of its operational functions, the Bank shall:
 - (a) to the extent applicable, use the methods it employs to control disbursement of its own resources; and

- (b) ensure that the disbursements out of the Trust Fund are applied exclusively for the purpose for which they are made.
8. The selection and recruitment of consultants financed out of the resources of the Grant, and the administration and enforcement of any contracts entered into between the Bank and the consultants and/or third parties, shall be the responsibility solely of the Bank and shall be carried out in accordance with the Bank's Rules of Procedure for the Use of Consultants.

ARTICLE IV

REPORTING AND CONSULTATION

1. The Bank will, in accordance with its usual procedures, keep and maintain separate records of account of the resources of the Grant and operations financed under this Agreement.
2. The Bank will furnish Canada with the following documents, reports and financial statements:
 - i) quarterly financial statements of the funds received and disbursed from the Account;
 - ii) semi-annual progress reports, submitted by June 30 and December 31 each year in electronic form and hard copy, on the activities financed out of the resources of the Grant and the status of progress of each such activity or operation, including:
 - a) a brief description of each activity approved since the last progress report and its objective;
 - b) the co-ordinates, gender and nationality of the consultants contracted since the last progress report;
 - c) a brief description of the progress of ongoing activities;
 - d) a brief description of any proposed activities still under consideration;
 - e) a summary, in table form, of all activities funded to date under the Grant, including the categories indicated in the sample table attached to this Agreement as Attachment A; and
 - f) any other pertinent information as CIDA may reasonably request.
 - iii) an annual audited financial statement of funds received and disbursed from the NEPAD-IPPF Account;
 - iv) a copy of the final version of each study completed or executive summary thereof, submitted, in electronic form as well as hard copy, to the Canadian Executive Director's office within 15 working days of its submission by the consultant to the Bank; and

- v) a final report, to be submitted within 90 days of the expiration of this Agreement, including audited financial statements, summarizing activities funded through the NEPAD-IPPF, results achieved, lessons learned and overall Bank comments as to the results of the NEPAD-IPPF.
3. The parties to this Agreement will review annually the results achieved under this Agreement and consult with each other with a view to deciding whether to provide additional resources to the Grant. Any addition to the resources of the Grant may be effected through a simple exchange of letters between the parties.
 4. Upon request by CIDA, the Bank will collaborate with CIDA in evaluating the NEPAD-IPPF at such times as may be agreed upon between the parties.

ARTICLE V

ACKNOWLEDGEMENTS

1. The Bank will include the following paragraph in the Terms of Reference issued to consultants funded under the NEPAD-IPPF: "This assignment is funded by the Canadian Grant to the NEPAD Project Preparation and Implementation Facility". Upon completion of the assignment, the following information may be made public and disseminated electronically by CIDA: consultant name, company address, telephone and fax numbers, e-mail address, project title and description; country, sector and description of assignment."
2. Where considered appropriate by the Bank, the Bank will acknowledge the Grant in any reference made by it with respect to the NEPAD-IPPF in publications, speeches, press releases and other similar mediums.

ARTICLE VI

TERMINATION OF THE AGREEMENT

1. If, at any time, either party determines that the purposes of this Agreement can no longer be effectively or appropriately carried out this Agreement may be terminated at the initiative of either party by giving the other party not less than six (6) months' prior written notice to this effect.
2. Upon termination of this Agreement, and unless the parties otherwise agree, any Agreement entered into between the Bank, any consultant, and/or any third party prior to receipt of the notice of termination of this Agreement will not be affected by the termination and the Bank will be entitled to continue to receive and disburse the Grant funds in respect of such agreements to the extent necessary in order to fulfil the Bank's obligations under such agreements as if this Agreement had not been so terminated and thereafter any balance of the Grant funds held by the Bank will be returned to CIDA and the Bank's functions pursuant to this Agreement will then be considered terminated.

ARTICLE VII

DURATION OF THE AGREEMENT

This Agreement will come into force and effect upon the date of the second signature and will end four (4) years thereafter.

ARTICLE VIII

AMENDMENT

This Agreement may be modified by formal amendment by CIDA and the Bank, each of which will give full and sympathetic consideration to any proposal to amend the Agreement.

ARTICLE IX

NOTICE

1. Any notice to be given to either party with respect to this Agreement will be effectively given if delivered or sent by letter or by fax addressed to the party at the address given in sections 2 or 3 of this Article. The address of either party may be changed by notice in the manner set out in this Article.

2. Any notice to CIDA will be addressed to:

Senior Program Manager (African Development Bank)
International Financial Institutions
Multilateral Programmes Branch
Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec K1A 0G4, Canada
Tel. (819) 953-7621
Fax: (819) 953-5348

with a copy to:

3. Any notice to the Bank will be addressed to:

Division Manager,
Partnership and Co-operation Division
Planning and Budgeting Department
African Development Bank
African Development Fund
Temporary Relocation Agency
15, Avenue du Ghana
B.P. 323 TUNIS
1002 TUNIS BELVEDERE
Tunisia
Tel. (216-71) 10
Fax: (216-71)

And/or

Avenue Joseph Anoma
01 B.P. 1387
Abidjan, Côte d'Ivoire
Tel: (225) 20-20-46-02
Fax: (225) 20-20-40-70

ARTICLE X

ENTIRE AGREEMENT

This Agreement together with Attachment A constitutes the entire Agreement between Canada and the Bank with respect to the NEPAD-IPPF.

ARTICLE XI

DISPUTE RESOLUTION

Any dispute arising out of or in connection with this Agreement, including interpretation or application of any provision herein contained will be settled amicably by the Parties.

ARTICLE XII

ENVIRONMENTAL PROTECTION

CIDA will proceed with the Grant based on the premise that all activities funded under the NEPAD-IPPF are reviewed as per the Bank's Policy and Environmental Guidelines, where applicable.

ARTICLE XIII

GENERAL PROVISIONS

1. No member of the Canadian House of Commons will be admitted to any share or part of this Agreement or to any benefit to arise therefrom.
2. The Bank agrees that no offer, gift or payment, consideration or benefit of kind, which constitutes an illegal or corrupt practise, has or will be made to anyone, either directly or indirectly, as an inducement or reward for the award or execution of this Agreement. Any such practice will be grounds for terminating this Agreement or taking any other corrective action as required.
3. It is a term of this Agreement that no current or former Canadian public office holder or Canadian public servant who is not in compliance with the Conflict of Interest and Post-Employment Code for Public Office Holders or the Conflict of Interest and Post-Employment Code for the Public Service shall derive a direct benefit from this Agreement.

4. This Agreement will not be assigned by the Bank without the prior consent of CIDA
5. This Agreement is not an international treaty. It is an administrative arrangement between CIDA and the Bank.
6. Any payment to be made under this Agreement is subject to there being an appropriation by Parliament for the fiscal year in which the payment is to be made.

IN WITNESS WHEREOF, the Undersigned, being duly authorized, have signed the present Agreement in two original counterparts in English.

FOR THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

By: _____

Title:

Date:

**FOR THE AFRICAN DEVELOPMENT BANK AND
THE AFRICAN DEVELOPMENT FUND**

By: _____

Title:

Date:

Annex 2: Pipeline of Projects for NEPAD-IPPF

No	Project	Objectives of Preparatory Activities	Originating Organisation	Amount (USD)	Sector	Type of Project	Status of Application	Receipt of Application
1	Liberalisation of Air Transport Project	To draw up common air transport competition regulations and draft measures to implement common air transport competition rules To establish joint competition authority for EAC, SADC and COMESA regions	COMESA	787,000.00	Transport	Facilitation	Reviewed but on Standby in accordance with IPPF guidelines	Jan 2004
2	Preparation of Model One Stop Border Post	To develop a model system of management for a one stop border post between member states	COMESA	240,000.00	Transport	Facilitation	Reviewed but on Standby in accordance with IPPF guidelines	Jan 2004
3	Implementation of Axle Load Control Programme in COMESA region	To eliminate delays at border crossings by implementing simple and uniform regulations for clearance of transit cargo and vehicles To harmonise institutional and administrative policies, norms of Gross Vehicle Mass and axle load limits, to enhance control of transit traffic through effective coordination and enforcement of regulations	COMESA	484,000.00	Transport	Facilitation	Reviewed but on Standby in accordance with IPPF guidelines	Jan 2004
4	Regional Telecommunications Interconnectivity Project (COMTEL)	To update feasibility study, review financial, technical, environmental and legal issues of the project and prepare a project information memorandum for presentation to possible financiers.	COMESA	1,876,416.00	ICT	Physical	Reviewed for financing jointly with DBSA and the SEP selected for the project. Awaiting VP's consideration	May 2004
5	Benin-Togo-Ghana Electricity Interconnection Project	To update feasibility study, preliminary designs and prepare draft specifications and draft bidding documents for the project.	ECOWAS	500,000.00	Energy	Physical	Reviewed IPPF financing and proposal approved by ONVP	May 2004
6	West African Power Pool (WAPP) Capacity Building and Training Programme	Development and implementation of procedures for collecting and processing energy data from member states; benchmarking of technical and commercial performance of electricity utilities; development, implementation and harmonisation of grid codes and operation guidelines for interconnected networks; and training and capacity building for staff of the West African Energy Observatory.	ECOWAS	500,000.00	Energy	Capacity Building		May 2004

No	Project	Objectives of Preparatory Activities	Originating Organisation	Amount (USD)	Sector	Type of Project	Status of Application	Receipt of Application
7	Harmonisation of Telecommunications Policies in West Africa	To harmonise telecommunications policies of member states in ECOWAS to facilitate the creation of a single telecommunications market in the region.	ECOWAS	736,595.00	ICT	Facilitation		June 2004
8	IATA/IATF African Airline Training Programme	To develop airline staff's competences, skills and problem solving capacity to assist and enhance the competitiveness and efficiency of regional airlines	IATA/IATF	838,000.00	Transport	Capacity Building		Dec 2003
9	Development of African Consulting Engineering Industry		SAACE	120,000.00		Capacity Building	Does not fit into IPPF	Dec 2003
10	Kenya-Uganda Oil Pipeline Project	To carry out preliminary engineering design; update EIA study; prepare Inter-Governmental Agreement; and undertake a Private Sector solicitation process for the project	Kenya/Uganda	700,000.00	Energy	Physical	Reviewed for IPPF financing jointly with DBSA. Proposal approved for financing by ONVP.	May 2004
11	Zambia-Tanzania-Kenya Power Interconnection Project	To undertake a Private Sector solicitation process for the project	Zambia/Tanzania/Kenya	1,700,000.00	Energy	Physical	Reviewed for IPPF financing jointly with DBSA and PPIAF. Awaiting ONVP consideration.	May 2004
12	Malawi-Mozambique Electricity Interconnection	To undertake an update of the feasibility study for the project to bring it to a bankable state	Malawi/Mozambique	N/A	Energy	Physical	Awaiting further details	May 2004
13	Study of ICT infrastructure and development initiatives and projects in West, Central, and North Africa.	The key objective of this initiative is to connect all West, Central, and North African countries to a broadband regional terrestrial fibre-optic network and international submarine cable systems through the integration, rationalisation and harmonisation of terrestrial ICT infrastructure and development projects	e-Commission for Africa	260,000.00	ICT	Capacity Building Facilitation	Reviewed for IPPF Financing. PIM under finalisation.	April 2004
14	Kasangula Bride	Detailed engineering design of the Kasangula Bridge between Zambia and Botswana	Zambia and Botswana	500,000	Transport	Physical	Under review	November 2004

No	Project	Objectives of Preparatory Activities	Originating Organisation	Amount (USD)	Sector	Type of Project	Status of Application	Receipt of Application
15	Sambangalou and Kaléta hydroelectricity and interconnection of electric networks of OMVG	To undertake detailed design and preparation of tender documents for the hydroelectric of Sambangalou and Kaléta and network interconnection; to undertake environmental and social impact studies of the project	OMVG	5.64 million	Energy	Physical	To be reviewed for IPPF	November 2004
16	Com7 – Fibre Optic Telecom Interconnection	To undertake detailed design and preparation of tender documents for the fibre optic telecom interconnection between Zambia and Tanzania using existing railway way-leaves.	Com-7		Telecom	Physical	To be reviewed for IPPF	

DRAFT
SUBJECT TO APPROVAL BY THE
BOARD OF GOVERNORS OF THE BANK

**THE NEW PARTNERSHIP
FOR AFRICA'S DEVELOPMENT
(N E P A D)**

INSTRUMENT

FOR THE ESTABLISHMENT OF THE

**NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
INFRASTRUCTURE PROJECT PREPARATION SPECIAL
FUND**

(ADMINISTERED BY THE AFRICAN DEVELOPMENT BANK)

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**INSTRUMENT FOR THE ESTABLISHMENT
OF THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
INFRASTRUCTURE PROJECT PREPARATION SPECIAL FUND
(ADMINISTERED BY THE AFRICAN DEVELOPMENT BANK)**

PREAMBLE

WHEREAS:

1. At the 37th Summit of the Heads of State and Government of the Organisation of African Unity (OAU), the predecessor of the African Union (AU), held in Lusaka, Zambia, on July 11, 2001, the summit adopted a comprehensive strategic framework developed for the purpose of eradicating poverty in Africa, and to place African countries, both individually and collectively, on a path of sustainable growth and development;
2. The OAU Summit also established a Heads of State and Government Implementation Committee (HSGIC) with the mandate of leading the implementation of the strategic framework for development, and on October 23, 2001, the HSGIC adopted the policy document for the implementation of the development initiative, which initiative was formally named the New Partnership for Africa's Development (NEPAD);
3. For the purpose of the implementation of NEPAD, the HSGIC has set out the medium-long term priority areas of NEPAD as Peace and Security; Capacity Building, Utilisation and Retention; Economic and Corporate Governance; Anti-money Laundering; Agriculture; Market Access and Diversification; Human Resource Development; Infrastructure; Environment; Resource Flows; and Regional Integration.
4. The HSGIC designated the African Development Bank (the "Bank") as the lead agency to urgently identify and prepare specific implementable projects and programs in the following priority sectors: (i) infrastructure development; and (ii) in connection with governance, the dissemination, adaptation and implementation of Banking and Financial Standards;
5. The HSGIC has requested the Bank to mobilize resources for the implementation of projects and programs for infrastructure development as well as other NEPAD priority areas, and in this connection, the Bank has identified potential donors willing to contribute to a NEPAD Infrastructure Project Preparation Special Fund;

6. The Bank is a strategic and significant driver of development in Africa, and in particular was established by its members comprising all of the African countries as well as certain non-African countries, for the purpose of contributing to the sustainable economic development and social progress of its African member states;
7. In fulfilment of its purpose, the Bank mobilizes resources both within and outside Africa for the financing of investment projects and programmes relating to the economic and social development of its African members; and
8. In accordance with Article 8 of the Agreement establishing the Bank, the Bank may establish or be entrusted with the administration of Special Funds which are designed to serve its purpose and come within its functions.

In light of the foregoing, it is hereby resolved as follows:

CHAPTER 1 OBJECTIVES AND PURPOSES

Section 1.1 Establishment. There is hereby established a Special Fund under Article 8 of the Agreement Establishing the Bank to be known as The New Partnership for Africa's Development Infrastructure Project Preparation Special Fund (hereinafter called the "NEPAD-IPPF" or the "Fund"), which will be constituted with resources mobilized from donors, to be administered in accordance with the provisions of this Instrument and, when applicable, the Agreement establishing the Bank.

Section 1.2 Purpose. The purpose of the NEPAD-IPPF is to pool the resources mobilized from donors to support, primarily, the preparation of viable and bankable projects and programmes. In addition, such resources may be utilized for purposes of strengthening the capacity of African institutions and governments to formulate viable infrastructure development projects and programmes, so as to attract more public and private investments for the development of infrastructure to the benefit of the Regional Member Countries of the Bank (RMCs).

Section 1.3 Areas of Intervention. The resources of the NEPAD-IPPF shall be utilized for infrastructure development project and programme preparation activities in the following sectors: (i) Energy; (ii) Information and Communications Technology; (iii) Transport; and (iv) Water Resource Management.

CHAPTER II ADMINISTRATION

Section 2.1 Administration. The Bank will be the Trustee for the NEPAD-IPPF, and in this capacity will, as legal owner, hold in trust the funds, assets and receipts which constitute the resources of the Fund, and manage and apply them for the purpose of, and in accordance with, the provisions of this Instrument. The Bank will keep the resources of the Fund separate and apart from all other accounts and assets of, or administered by, the Bank.

Section 2.2 Use of the Bank's Facilities. Except as otherwise provided herein, the Bank will administer the NEPAD-IPPF through its own organisation, services, facilities, officers, staff and such other experts and consultants as may be necessary. The Bank will in no event delegate responsibility for the administration of the Fund.

Section 2.3 Expenses of Administering the NEPAD-IPPF. The Bank will keep an account of the expenses incurred in the administration of the NEPAD-IPPF, as follows:

- (i) Direct costs incurred by the Bank for the NEPAD-IPPF;
- (ii) Indirect costs incurred by the Bank in the administration of the NEPAD-IPPF.

Section 2.4 Payment of Administrative Costs. The Bank will bear the reasonable costs of the establishment of the NEPAD-IPPF and, until it notifies the Oversight Committee otherwise, will administer the NEPAD-IPPF free of charge, as part of its contribution to the Fund. Such notification will be given in writing to the Oversight Committee at least six (6) months prior to the effective date thereof.

Section 2.5 Commitments. The Bank will adopt measures to avoid commitments in excess of the available resources of the NEPAD-IPPF, and will seek to keep administrative costs of the NEPAD-IPPF at a minimum.

Section 2.6 Privileges and Immunities. The privileges and immunities accorded to the Bank under its Articles of Agreement will apply to the property, assets, archives, income, operations and transactions of the NEPAD-IPPF.

Section 2.7 Reporting. (a) The Bank will present to the Oversight Committee an Annual Report on the activities of the NEPAD-IPPF. The Annual Report will contain a brief description of the activities of the Fund during the preceding financial year, including all the operations financed with the resources of the Fund, and the status and outcomes of such operations. The Annual Report will also include a statement of assets and liabilities of the NEPAD-IPPF, a statement of cumulative receipts and expenditure, and a statement of the use of resources of the Fund, with such explanatory notes as may be pertinent.

(b) The comments which the members of the Oversight Committee may consider appropriate to make in respect of the statements and information referred to in paragraph (a) of this Section, will be presented as soon as possible and in any case within thirty (30) days following the receipt of the respective reports. Thereafter, the Annual Report will be submitted for the consideration of the Board of Directors. Following the approval by the Board of Directors, the Bank will distribute the Annual Report to all of the Donors and participants in the NEPAD-IPPF.

Section 2.8 Audit. The NEPAD-IPPF will be subject to the internal and external audit procedures of the Bank, including the annual audit. Upon the written request of the Oversight Committee, the Bank will cause the account and records of any specific activity financed with the resources of the Fund to be audited by its external auditors. Notwithstanding Section 2.4 of this Agreement, the costs of such special audit will be charged to the resources of the Fund.

CHAPTER III STRUCTURE AND GOVERNANCE

Section 3.1 Structure. The NEPAD-IPPF will have an Oversight Committee, and the activities financed with the resources of the Fund will be coordinated by the NEPAD Support Unit established by the Bank, comprising experts as well as professional and administrative staff of the Bank. The Board of Directors of the Bank also will take certain decisions, as provided in this Instrument, concerning the NEPAD-IPPF.

Section 3.2 Participation. Any member country of the Bank, any country that is eligible to become a member of the Bank, and any organization acceptable to the Bank, may become a participant in the NEPAD-IPPF. Participation in the Fund will be effected by submitting an Instrument of Participation, and acceding to the terms of this Instrument. Participation in the Fund will be a prerequisite for membership of the Oversight Committee of the Fund.

Section 3.3 Oversight Committee: Composition. The Oversight Committee will have seven (7) members comprising of:

- (i) Three (3) representatives appointed by Donors, who are not otherwise represented on the Committee;
- (ii) Two (2) representatives appointed by the Bank, one of which will be the Vice President, Operations North, East and South Region of the Bank; and
- (iii) Two (2) representatives appointed by the African Union, through the NEPAD Secretariat.

Section 3.4 Oversight Committee: Functions. (a) The Oversight Committee will be responsible for providing general policy direction for the activities of the NEPAD-IPPF. In this regard, the Oversight Committee will review the operational focus of the NEPAD-IPPF, the proposed areas of intervention, review the annual report of activities financed from the resources of the NEPAD-IPPF, and will ensure that the activities are consistent with the NEPAD mandate. The Bank will consult regularly with the Oversight Committee.

(b) The Oversight Committee will become operational following the effectiveness of this Instrument and upon the appointment of four (4) members.

Section 3.5 Oversight Committee: Chairperson. The Oversight Committee will appoint one of its members as Chairperson. The Chairperson will be a member appointed to the Oversight Committee to represent Donors, other than the Bank, and will serve for a non-renewable term of two (2) years. The Oversight Committee will appoint the first Chairperson at its inaugural meeting.

Section 3.6 Oversight Committee: Procedure. The Oversight Committee will adopt its own Rules of Procedure at its inaugural meeting. The Bank will also appoint a Secretary for the Oversight Committee.

Section 3.7 Oversight Committee: Meetings. The Oversight Committee will meet at least once every year. The Chairperson of the Oversight Committee, in close consultation with the members of the Committee and the Bank, will convene meetings at such places and at such times, as may be required.

Section 3.8 Oversight Committee: Decision-Making. Decisions of the Oversight Committee will be taken at meetings or by correspondence. The decisions of the Committee will be taken by consensus, or by the vote of a simple majority of members of the Committee where a consensus is unattainable. Each member of the Oversight Committee will have one (1) vote. The Chairperson will however have an additional vote in the event of an equal division.

CHAPTER IV FINANCIAL ARRANGEMENTS

Section 4.1 Resources (a) The resources of the NEPAD-IPPF will consist of contributions obtained from countries or organizations for purposes of funding activities under the Fund (such contributor(s) herein referred to as "Donor(s)"). Contributions may be made in kind, to the extent acceptable by the Bank, taking into consideration the relevance and ease of valuation of the contribution.

(b) All sums received: (i) in the form of additional resources from Donors, (ii) in connection with the operations financed out of the resources of the NEPAD-IPPF, or (iii) which accrue to the NEPAD-IPPF by way of interest, dividends, fees, sale of assets or from other sources, will be added to the *corpus* of the NEPAD-IPPF for use by the Bank as part of the Fund.

Section 4.2 Contributions. A member country of the Bank, or any country eligible to be a member country, as well as an organization acceptable to the Bank, may make contributions to the NEPAD-IPPF to be utilized for achieving its purpose. The Bank will receive contributions for use in accordance with the terms of this Instrument. Contributions will be effected by a deposit of an Instrument of Commitment, stating the specific amount of the contribution, and the payment schedule agreed with the Bank. Payment of the first instalment of the amount of the commitment made by each participant in the NEPAD-IPPF will, however, not be later than a date which is three (3) months from the date of submission of its Instrument of Participation.

Section 4.3 Denomination and Payment. (a) Contributions will be paid in any one of the lending currencies of the Bank.

(b) The financial statements and accounts of the NEPAD-IPPF will be denominated in one of the lending currencies of the Bank, as determined by the Oversight Committee.

Section 4.4 Separation of Resources. (a) The Bank will at all times hold, utilize, commit, invest or in any other manner dispose of the resources of the NEPAD-IPPF, independently of the resources of the Bank itself, or of any other resources entrusted to the Bank for administration.

(b) The Bank will keep separate accounts and records of the resources and operations of the NEPAD-IPPF in such a way as to permit the identification of the assets, liabilities, income, costs and expenses pertaining to the NEPAD-IPPF.

Section 4.5 Replenishment. The resources of the NEPAD-IPPF may be replenished from time to time. The Bank, however, will inform the Oversight Committee, and initiate discussions for a general replenishment of the resources of the NEPAD-IPPF, when it so determines, taking into consideration the commitment capacity and rate of utilization of the resources of the Fund.

CHAPTER V OPERATIONS

Section 5.1 Recipients. Regional member countries of the Bank, political subdivisions or agencies thereof, development institutions as well as regional agencies and institutions will be eligible to receive financing or other assistance from the resources of the NEPAD-IPPF.

Section 5.2 Approval. Financing or other form of assistance provided from the resources of the NEPAD-IPPF will be subject to the approval of the Board of Directors of the Bank. In this connection, the Board of Directors may delegate to Management of the Bank, the approval of activities below a specified amount. The Bank, in consultation with the Oversight Committee, will adopt operational procedures for operations financed with the resources of the NEPAD-IPPF, which will in particular be designed to ensure a fast-track process for the consideration, approval and implementation of activities financed with the resources of the NEPAD-IPPF.

Section 5.3 Operational Principles. Except as otherwise provided herein, or in operational procedures adopted by the Bank for purposes of the NEPAD-IPPF, the Bank, in its administration of the Fund, will apply the same principles and criteria

that are applicable to financing provided from its own ordinary resources, particularly those contained in Article 17 of the Agreement establishing the Bank.

Section 5.4 Recipient's Contribution. In considering applications for financing from the resources of the NEPAD-IPPF, the Bank will give due regard to the relevant self-help measures being taken by the recipient and, where the recipient is not a member country of the Bank, by both the recipient and the member or members intended to benefit from the proposed financing.

Section 5.5 Procurement. Procurement of goods, works and services using the resources of the NEPAD-IPPF will be carried out in accordance with the Rules of the Bank. Procurement will be limited to member countries of the Bank as well as those Donor States that are non-members of the Bank.

Section 5.6 Supervision. Supervision of the operations carried out with the resources of the NEPAD-IPPF will be the exclusive responsibility of the Bank.

Section 5.7 Currencies. Financing out of the resources of the NEPAD-IPPF will be denominated and disbursed in the lending currency of the Bank in which the account(s) of the Fund is denominated. Any reimbursements or, related charges, whenever applicable, will be made in the currency of disbursement.

Section 5.8 Financing Agreements. Financing agreements concluded by the Bank obligating the resources of the NEPAD-IPPF will indicate clearly that the financing has been provided by the Fund.

Section 5.9 Non-obligation of the Bank. Financing approved by the Bank under this Instrument will not, or be deemed to, result in any financial obligation on the part of the Bank, and except as otherwise provided for in this Instrument, the Bank will not derive any financial benefits from the Fund. Co-financing of projects will, however, not be interpreted as a financial benefit to the Bank under this Instrument.

CHAPTER VI GENERAL PROVISIONS

Section 6.1 Establishment and Effectiveness. (a) The NEPAD-IPPF will be established as of the date of adoption of this Instrument by the Board of Governors of the Bank, in accordance with Article 8 of the Agreement establishing the Bank.

(b) This Instrument will become effective and the NEPAD-IPPF operational on the date when the Bank will have received Instruments of Commitment pledging contributions in an aggregate amount equivalent to Five million (UA 5,000,000) Units of Account, as defined in the Agreement establishing the Bank; provided,

however, that such date will not be later than July 31,2005 or such later date as may be determined by the Bank.

Section 6.2 Co-operation. Participants in the NEPAD-IPPF will co-operate fully to assure that the purposes of the NEPAD-IPPF are accomplished.

Section 6.3 Financial Year. The financial year of the NEPAD-IPPF will be the same as the financial year of the Bank.

Section 6.4 Notices and Requests. (a) Notices or requests to the NEPAD-IPPF will be in writing and will be delivered at the address below, or such other address as may be notified by the Bank:

The New Partnership for Africa's Development Infrastructure Project
Preparation Special Fund
*(a Special Fund Administered by the
African Development Bank)*
01 B.P. 1387
Abidjan 01
Ivory Coast
Telephone: (+225) 20 20 44 44
Telefax: (+225) 20 20 49 29
E-mail: nepad-ippf@afdb.org
Telex AFDEV Abidjan
Attention: NEPAD Support Unit

During the period of the Temporary
Relocation of Operations of the Bank:

The New Partnership for Africa's Development Infrastructure Project
Preparation Special Fund
*(a Special Fund Administered by the
African Development Bank)*
Agence Temporaire de Relocalisation
**15 Avenue du Ghana, Angle Rues Hedi Nouria
& Pierre de Coubertin**
B.P. 323 Tunis
1002 Tunis Belvedere, Tunisia
Tel: (+216) 71 10 20 39
Fax: (+216) 71 33 26 94
E-mail: nepad-ippf@afdb.org
Attention: NEPAD Support Unit

(b) Notices and requests to the Bank or any other participants in the NEPAD-IPPF will be in writing and will be delivered to the address provided in the respective Instruments of Participation or any other address as will be notified in writing by such participant.

Section 6.5 Settlement of Disputes. (a) Disputes related to the interpretation and implementation of this Instrument will be settled amicably by the parties.

(b) In the event that a dispute, which is not settled amicably, relates solely to a matter of interpretation of the Instrument, a request for interpretation will be submitted for the consideration of the Board of Directors of the Bank. Such interpretation will be final.

(c) In all other cases, and upon the failure of earnest attempts for an amicable settlement, such dispute will be submitted by notification in writing to arbitration by a tribunal of three arbitrators. One of the arbitrators will be appointed by the Bank, another by the other disputing party, and the two (2) parties will appoint the third arbitrator, who will be the Chairperson. If, within forty-five (45) days of receipt of the request for arbitration, either party has not appointed an arbitrator, or if, within thirty (30) days of the appointment of the two (2) arbitrators, the third arbitrator has not been appointed either party may request the Chairperson of the African Union Commission to appoint the arbitrator not yet appointed. The procedure of arbitration will be fixed by the arbitrators, but the third arbitrator will have full power to settle all questions of procedure in any case of disagreement with respect thereto.

(d) The arbitral tribunal will afford to all parties a fair hearing and will render its award in writing. Such award may be rendered by default. An award signed by a majority of the arbitral tribunal will constitute the award of such tribunal. A signed counterpart of the award will be transmitted to each of the disputing parties. Any such award rendered in accordance with the provisions of this Section will be final and binding upon such parties, and the participants Donors and recipients. Each of the disputing parties will abide by and comply with any such award rendered by the Tribunal in accordance with the provisions of this Section.

(e) The parties will fix the amount of the remuneration of the arbitrators and such other persons as may be required for the conduct of the arbitration proceedings. If the parties do not agree on such amount before the tribunal convenes, the tribunal will fix such amount as will be reasonable under the circumstances. Each of the disputing parties will defray its own expenses in the arbitration proceedings. The cost of the tribunal will be divided between, and borne equally by the parties. Any question concerning the division of the expenses of the tribunal or the procedure for payment of such expenses will be determined by the tribunal.

Section 6.6 Withdrawal from Participation. Any participant may, however, withdraw from participation in the NEPAD-IPPF by written notice to the Fund. The withdrawal will become effective six (6) months after the communicated date of receipt of the notice. The participant will, however, remain liable for the payment of any portion of the amount of its commitment, on the basis of which the NEPAD-IPPF has made commitments to recipients.

Section 6.7 Amendments and Termination. (a) Amendments or additions may be made to this Instrument by a decision of the Board of Directors and the Oversight Committee. Such amendments or additions will however be reported to the Board of Governors at its next Annual Meeting.

(b) This Instrument will be in effect for fifteen (15) years, provided however that this period may be extended or shortened by a decision of the Board of Governors of the Bank, upon the recommendation of the Board of Directors acting in consultation with the Oversight Committee. The effectiveness of this Instrument will also terminate upon the occurrence of the event contemplated in Article 47, Section 1 of the Agreement establishing the Bank.

(c) On the date of expiration or the date of termination (each hereinafter referred to as the "Termination Date"), the Bank will cease all activities relating to the resources of the NEPAD-IPPF, except those incidental to the orderly realisation, conservation and preservation and settlement of the direct or contingent obligations to which the NEPAD-IPPF or the Bank, on behalf of the Fund, may be subject.

(d) The Bank will also present to the Oversight Committee a list of all operations in progress and outstanding obligations, as of the Termination Date, and such operations will continue to be processed until the respective processing is concluded.

(e) The Bank will within a reasonable period after the termination of the NEPAD-IPPF transfer to the Donors such of the resources of the Fund as are in the possession of the Bank and are not required for the purpose of settlement of any outstanding obligations, and will thereafter, transfer the balance of such resources as and when received by the Bank.

(f) In the event of termination, the Bank will, prior to transferring funds in its control to the relevant Donors, withhold such portion of the funds as may correspond to the administrative fee, if any, and an amount to cover contingent liabilities, as agreed by the Oversight Committee to be paid to the Bank.

AFRICAN DEVELOPMENT BANK

BOARD OF GOVERNORS

Resolution B/BG/2005/12

Adopted on a Lapse-of-time basis on 8 September 2005

Establishment of the NEPAD Infrastructure Project Preparation Facility Special Fund

THE BOARD OF GOVERNORS,

HAVING REGARD to: (i) the Agreement Establishing the African Development Bank (the "Bank"), in particular Articles 2 (Functions), 8 (Special Funds), 10 (Special Resources), 11 (Separation of Resources), 17 (Operational Principles), 29 (Board of Governors: Powers) and 32 (Board of Directors: Powers); (ii) the Financial Regulations of the Bank, in particular Regulations 3.2 (The Separation Principle) and 3.3 (Financial Administration of Special Funds); and (iii) the General Regulations of the Bank, in particular Article 3 (Special Procedure);

HAVING CONSIDERED:

- (i) Document ADB/BG/WP/2005/06 of the Board of Directors, entitled "Establishment of a NEPAD Infrastructure Project Preparation Facility Special Fund", and the recommendation therein for this Board to establish the NEPAD Infrastructure Project Preparation Facility Special Fund for resources mobilized from donors for the purpose of supporting the preparation of viable infrastructure development projects and programmes for the benefit of the regional member countries of the Bank, as well as strengthening the capacity of African institutions and governments, in this regard; and
- (ii) The proposed Instrument for the Establishment of the NEPAD Infrastructure Project Preparation Facility Special Fund (the "Instrument");

HEREBY:

- (i) Establishes the NEPAD Infrastructure Project Preparation Facility Special Fund, on the terms and conditions contained in the Instrument attached hereto as Annex I; and
- (ii) Authorizes the Board of Directors and the President to take such administrative measures as may be necessary or expedient for the implementation of this Resolution, having regard to the respective functions and powers of the Board of Directors and the President.