

African Development Bank

African Development Fund



**THE 2007 STRATEGIC DIRECTION AND INDICATIVE
OPERATIONAL PROGRAM**

STRATEGIC CONTEXT AND OPERATIONAL PRIORITIES

**ORVP
Operations Policies and
Compliance Department
(ORPC)**

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**THE 2007 STRATEGIC DIRECTION AND INDICATIVE OPERATIONAL
PROGRAM**
Strategic Context and Operational Priorities

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ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
ADI	African Development Institute
AFROSAI	African Organization of Supreme Audit Institutions
AMINA	ADF Micro-finance Initiative
APRM	African Peer Review Mechanism
AWF	African Water Facility
AWV	African Water Vision
BWI	Bretton Woods Institutions
CDP	Country Dialogue Paper
CFAA	Country Financial Accountability Assessment
COMESA	Common Market of Eastern and Southern Africa
COMPAS	Common Performance Assessment System
CPA	Country Performance Assessment
CPAR	Country Procurement Assessment Review
CPIPs	Country Portfolio Improvement Plans
CPR/CPFR	Country Portfolio Review/Country Portfolio Performance Review
CSP	Country Strategy Paper
DBSLs	Development Budget Support Loans
EAC	East African Community
ECA	U.N. Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FMR	Financial Management Review
HA& MfR	Harmonization, Alignment and Managing for Results
HIPC	Highly Indebted Poor Country
ICT	Information and Communication Technology
IDA	International Development Association
IMF	International Monetary Fund
IPAA	International Partnership Against AIDS
JAI	Joint Africa Institute
KFW	Kreditanstalt Fur Wiederaufbau
MDGs	Millennium Development Goals
MDBs	Multilateral Development Banks
MICs	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
MLTSF	Medium to Long Term Strategic Framework (NEPAD)
MTR	Mid-term Review
MOU	Memorandum Of Understanding
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
NTF	Nigerian Trust Fund
OCC	Operations Coordinating Committee
OECD/DAC	Organization for Economic Cooperation and Development / Development Assistance Committee

OINF	Infrastructure Department
OIVP	Infrastructure, Private Sector & Regional Integration Vice-Presidency
ONRI	NEPAD, Regional Integration and Trade Department
OPSM	Private Sector Department
ORCE	Regional Department CENTER
OREA	Regional Department EAST 1
OREB	Regional Department EAST 2
ORNA	Regional department NORTH 1
ORNB	Regional department NORTH 2
ORPC	Operations Policies and Compliance Department
ORSA	Regional department SOUTH 1
ORSB	Regional department SOUTH 2
ORVP	Country and Regional Programs & Policy Vice-Presidency
ORWA	Regional department WEST 1
ORWB	Regional department WEST 2
OSAN	Agriculture and Agro-Industry Department
OSGE	Governance, Economic and Financial management Department
OSHD	Human Development Department
OSVP	Sector Operations Vice-Presidency
OWAS	Water and Sanitation Department
OPEC	Organization of Petroleum Exporting Countries
PCCF	Post-Conflict Country Facility
PPF	Project Preparation Facility
PPP	Public Private Partnership
RBM	Results-based Management
RCDF	Regional Community Development Fund
RECs	Regional Economic Communities
RASP	Regional Assistance Strategy Paper
RMCs	Regional member Country
PBL	Policy Based Lending
PBO	Policy Based Operation
PRSPs	Poverty Reduction Support Program
RWSS	Rural Water Supply and Sanitation
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern African Development Community
SAP	German software firm – Management information system program
SFM	Supplementary Finance Mechanism
SIPs	Sector Investment Programs
SMEs	Small and Medium Enterprises
SIPs	Sector Portfolio Improvement Plans
SRF	Special Relief Fund
STAP	Short Term Action Plan (NEPAD)
SWAP	Sector Wide Approach Program
TAF	Technical Assistance Fund
UA	Unit of Account
UNDP	United Nations Development Program
UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)
UNICEF	United Nations Children’s Fund
WFP	World Food Program

EXECUTIVE SUMMARY

1. Strategic Directions and Indicative Operational Program

1.1 This paper presents the Bank Group's Strategic Directions and Indicative Operational Program (IOP) for 2007. It provides a comprehensive overview of planned activities during the upcoming year and discusses, in particular: new financing activities; portfolio management; strategic, analytical and policy work to guide and support operations; and, key process changes intended to improve operational focus, efficiency, and results. Its purpose is to set out more clearly than in the past what the Bank Group intends to deliver, and in so doing to provide a more systematic treatment of the operational foundation upon which the 2007 budget proposal has been built.

1.2 The strategic context driving all of the Bank's activities in 2007 is set out in broad terms in the agreed Medium-Term Strategy and fine-tuned in key respects by the institutional reform program now underway. The proposed operational program for 2007 is built, and designed to deliver upon, these core institutional commitments and strategic objectives. Institutional resources will be allocated accordingly, as will the focus of managerial engagement at every level. Priorities for delivery in 2007 include the following:

- Achieving greater focus and selectivity in operations, with all interventions reflecting agreed country and institutional priorities, and a rigorous assessment of the Bank's own capacities.
- Focusing new operations particularly on infrastructure (especially for transport, power, and water and sanitation), regional integration, and agriculture and rural development.
- Significantly increasing direct investments in private sector entities and in public-private partnerships, in part by using available instruments more actively and creatively.
- Ensuring new operations of higher quality and prospective impact, with more clearly articulated and measurable performance benchmarks.
- Delivering an active program of support across the Bank's Regional Member Countries, leveraging its strong balance sheet in the case of ADB borrowers, and allocating limited concessionary resources effectively in the case of ADF borrowers.
- Significantly improving portfolio management and performance through more systematic and thorough supervision and a substantial clean-up of aging and low-performing operations.

- Providing increased, improved, and timelier services through a larger network of more effectively staffed and empowered field offices.
- Significantly reducing procurement and disbursement delays, improving the Bank's competitiveness, attractiveness and reliability as a development partner.
- Building deeper partnerships with current and emerging development partners in order to leverage up our own financial and intellectual resources, achieve greater consistency and harmonization, and reinforce our broader selectivity objective.
- Developing a new Medium-Term Strategy for 2008, which will be built on more country-driven selectivity, an adequate resource base, and achieving demonstrable excellence in all operations. Effective support for the work of the High-Level Panel is an important investment in this effort.

1.3 The specific operational program for 2007 developed to meet these key commitments will be delivered through, and in the context of, major institutional reforms. Where such reforms are already in place, their effective implementation will get intensive focus. Moving ahead with other key reforms, still in process and in some cases subject to Board review, is essential to reinforce the operations-related improvements made thus far and to embed positive change more fully across the organization.

- Management will seek no increase in budget beyond adjustment resulting from the salary review. However, significant changes will be made in budget processes in order to ensure more effective management of operations, allocate staff and skills to priority work, and build a more systematically results-based budget allocation framework.
- Major improvements in Human Resource policy, practices and performance are urgently needed; they will be made as a matter of priority and consistent with a clearly prioritized, resourced and benchmarked Action Plan.
- The restructured Operations Complexes will program and deliver all operations and services through a country-centered approach, framed by individual country strategies and led by the Country Departments.
- Within the Operations Complexes, staff capacity will be significantly enhanced by filling long-standing vacancies and completing the broader redeployment of Bank staff into front-line Operations positions.
- The newly-created Operations Coordinating Committee introduces an essential coordination mechanism across the Operations Complexes; it will ensure greater alignment of operations and strategy, improved quality assurance, and effectively coordinated planning.

- The expanded network of field offices will be strengthened further, including by staffing up to budgeted levels and with a more diversified set of skills, full integration into Country Teams, and greater delegated responsibilities.
- A comprehensively revised set of business processes will reinforce these changes, strip away internal inefficiencies and obstacles, and reduce transactions costs throughout the operations processing cycle.
- A major redesign of the Procurement Unit, to be presented later this year, will significantly improve performance, reducing current excessive processing delays and raising accountability for client responsiveness and service delivery.

2. 2007 Lending Program

2.1 New operational commitments amounting to UA 2.685 B are programmed for delivery in 2007, a 15% volume increase relative to anticipated new commitments in 2006. This includes modest over programming of about 14% relative to available resources, which is fully appropriate given pipeline and programmatic uncertainties.

- New ADF commitments will total UA 1.233B, which is the estimated remaining commitment authority under ADF-X.
- ADB operations will total UA 1,452B, with operations for both public and private sector clients increasing significantly over 2006.
- No new commitments are programmed through the Nigeria Trust Fund.

2.2 New operations will be concentrated particularly in infrastructure (56.5%), Finance (12.5%), multi-sector operations (11.6%). Agriculture and rural development will amount to 10.5 % of new lending, while financing for social sector, industry, mining and quarrying will account for 9.0%.

- Within infrastructure, and for both the ADB and ADF windows, transport operations will dominate. In ADB, power and water supply and sanitation will follow, respectively; for ADF, new water supply and sanitation commitments will exceed those for power supply. Specifically, ADF commitments for water supply and sanitation (UA 273.1 million; 22.2%) will increase relative to 2006. But they will still fall short of the Bank's stated commitments under the Rural Water Supply and Sanitation Initiative, and exceptional efforts will be made in 2007 to build a larger and more robust pipeline of deliverable projects under this Initiative.
- Multisector operations will account for a relatively greater portion of new ADF commitments (14.1%) than ADB commitments, while finance and agriculture and rural development operations will be primarily ADB funded.

- Multinational projects to promote regional integration will account for 10.6% of overall Bank commitments due primarily to investments in the transport and power sectors. Current constraints in the availability of ADF resources for multinational operations means that the Fund will fall well short of being able to finance the growing number of requests for regional integration investments.

2.3 The programmed breakout between ADF loans and grants is 68.5% and 31.5%, respectively. Grant funding will be used primarily for specific investment operations (20%), with policy based operations accounting for 8.4%.

2.4 The number of new projects will be reduced significantly relative to the average in recent years, while average project size will be increased. In the case of ADF, the number of projects will be cut from 110 in 2003 to 52 in 2007, while their average size will rise from 9.1 million to UA 23.7 million over the same period. This reduction in the number of new projects to process will free up operational resources for such other priorities as building a more robust pipeline of operations, raising quality standards for all new operations, and significantly intensifying management of the on-going portfolio.

2.5 Specific investment operations will remain the backbone of the Bank's program, accounting for 75.6% of total new financing; policy-based operations will account for most of the remainder, and for 11.6% of new ADF commitments.

3. Portfolio Management and Operations Support

3.1 Portfolio management and supervision remains an important area of weakness in the Operations Complexes. Significantly higher dedication of existing resources and much more active and engaged management will be necessary to achieve sustained improvement and to ensure delivery on existing institutional commitments.

- The current excessive level of un-disbursed resources of UA 5.7 billion will be reduced by UA 1.4 billion, and the average disbursement rate will be increased from 21% currently to at least 25%.
- A substantial clean-up of aging and low-performing operations is essential. A major effort, already underway and to be continued into 2007, is expected to result in cancellations in the coming 12 months amounting to at least UA 400 million in un-disbursed commitments.
- The Bank will budget for and deliver upon its standing commitment to conduct an average of 1.5 supervision missions per active project in 2007. A substantially expanded field presence will be essential to achieve this objective cost-effectively.
- The current backlog of 95 Project Completion Reports will be eliminated in 2007.

- The current backlog of 120 Project Audit Reports will be eliminated in 2007.

3.2 The Operations Complexes will collaborate internally, and with external partners, to produce a substantial body of analytical work intended directly to shape and support operational service delivery at the country level. We will continue to expand the work done in cooperation with other organizations, thereby leveraging our own resources and achieving greater harmonization and coherence.

- 18 Country Strategy and 3 Regional Assistance Strategy papers will be completed; we will contribute to delivering some 5 Joint Assistance Strategies in collaboration with development partners.
- Public Expenditure Reviews will be done jointly with the World Bank in 9 countries.
- In addition to the intensified project supervision noted above, 18 full Country Portfolio Performance Reviews will be prepared jointly with the World Bank.
- Country Financial Accountability Assessments will also be prepared jointly with the World Bank for 3 countries, as will 3 Country Procurement Assessment Reports.

4. Policy Preparation

4.1 A substantial number of major policy papers will be delivered for Board review in 2007. These include: a new Medium-Term Strategy, to be effective from 2008 onwards; strategy papers on Fragile States, Middle Income Countries, and Higher Education, Science and Technology; Policy Frameworks for ICT and Clean Energy Investment. New Business Processes (BPs) aimed at enhancing the effectiveness of its operations will be submitted to Boards, including those for Fragile States and Middle Income Countries.

4.2 The preparation of new policies will also be undertaken in 2007, including: (i) a policy framework on the Definition of Bank Group's Areas Comparative Advantages; (ii) the Infrastructure Development Strategy, (iii), the Energy Policy and Strategy on Renewable Energy; and (iv) the Policy on Land Tenure.

5. Challenges and Risks

5.1 The Operational Program for 2007 is the first such program developed under the Bank's new Senior Management Team, and in the context of the major reorganization of the Operational units. Its chief objectives are to: achieve greater selectivity, relevance, and impact in all of the Bank's operational work; articulate specific deliverables more clearly; increase accountability for their delivery across the

organization, and achieve that delivery with higher quality, speed and efficiency; and, fully implement existing commitments across the range of operational activities.

5.2 The institutional challenges to succeeding with this program are large and deep. Significant steps have been taken to confront those challenges, and key elements of a stronger institutional foundation have been laid. But embedding reform more deeply throughout the organization, and building sustained forward momentum, remain works in progress. Intensified efforts will be required by Management, together with staff and all shareholders, to press ahead with this work, and to implement critical additional institutional changes.

- Country teams will bear primary responsibility for delivering high-quality, timely and strategically selective programs and services. Effective communication, coordination and cooperation between the newly-created Regional and Sector Departments is essential. Fully engaged and accountable internal management and leadership, at all levels, are imperative.
- Programmatic selectivity in support of agreed country strategic priorities must be further sharpened and deepened, with Country Department-led teams driving and fully accountable for program and service delivery.
- Internal budgeting and work program development processes must be significantly improved to ensure that specific activities and the resources needed to support them are fully aligned with priorities set out in country strategies, and to ensure that meaningful (and accountable) decision-making can take place at the level at which it belongs.
- A wide range of Human Resource issues must be addressed as a matter of priority: recruitment of a large number of new staff, including for management positions throughout the organization; modification of performance assessment practices and instruments for staff separations; comprehensive review of compensation and benefits to improve internal equity and external competitiveness.

5.3 None of these issues can be addressed easily; but all are vital to institutional renewal, reinvigoration, and relevance. The year 2007 will be pivotal. Management is determined to deliver the improvements and results that it has promised and that the African people deserve.

THE 2007 STRATEGIC DIRECTION AND INDICATIVE OPERATIONAL PROGRAM

1. INTRODUCTION

1.1 The purpose of the 2007 Strategic Direction and Indicative Operational Program (IOP) document is to provide the strategic orientation of the Bank Group for 2007, within the broader context of the agreed Medium Strategy and the Reform Agenda, as well as an overview of the operational activities the Bank Group intends to undertake during the upcoming year. It consolidates financing and non-financing objectives, targets and associated activities set by the Operations Complexes and supporting Complexes to implement the Bank's development assistance business plan for the year. The Operational Program is guided by the Bank's Strategic Plan and reflects priorities and commitments laid out in Country and Regional Assistance Strategies, and at the wider institutional level. In line with the guiding principles of its financing approach, which promotes ownership of operations by the beneficiaries, the Bank Group's assistance strategies are aligned with the strategies and operational priorities of RMCs, as outlined in their National Development Plans (NDPs) or Poverty Reduction Strategy Papers (PRSPs). It is also aligned with strategies spearheaded through regional initiatives and by sub-regional bodies such as the Regional Economic Communities (RECs) and other regional development organizations, in their attempt to foster regional economic cooperation and integration across the continent.

1.2 The preparation of the 2007 Indicative Operational work program has taken place in the context of current institutional reforms aimed at enhancing Bank Group's operational capacity and development effectiveness. A new Operations structure comprised of three Operations Complexes has been in force since 1st July 2006. A Policy, Country and Regional Programs Complex will ensure stronger focus on country needs by driving the country strategy and country program budget in addition to responsibility for policy and compliance. A Sector Operations Complex and the Infrastructure, Private Sector and Regional Integration Complex consolidate Bank Group's operational capacity in different sectors to enable greater professional depth in assistance delivery, specialization and efficient deployment of expertise to meet the needs of RMCs. As a result of this new structure, as well as a large number of critical supporting changes, the Bank Group expects to be able to deliver its 2007 Operational work program with greater effectiveness and efficiency, improved selectivity and focus, and higher quality and accountability.

1.3 The 2007 Non-financing Work Program will focus on the following core objectives: (i) enhancing the decentralization of Bank Group's activities for a stronger dialogue and closer collaboration with Regional Member Countries; (ii) strengthening the Bank's quality assurance system and improving its portfolio; (iii) broadening the Institution's economic and sector work; (iv) streamlining the toolkit of operational procedures, policies, strategies and guidelines; (v) strengthening partnerships and improving aid coordination, through the Harmonization, Alignment and Managing for results agenda.

1.4 Successful implementation of the 2007 IOP will depend in part on the availability and effective mobilization of resources across the full range of operational work – from delivering high-quality new operations to the improved management of the existing portfolio; from effective staffing at the field level to cultivating and building effective partnerships. Staffing inadequacies and skills deficiencies must be addressed.

1.5 This Board paper presents the Bank Group’s Strategic Direction and Indicative Operational Program for 2007 and examines the programs, projects and pre-investment studies as well as the related non-financing activities that Management proposes to process for consideration and approval by the Boards of Executive Directors during the year. The document is organized as follows: Section 2 describes the strategic context and directions and the operational priorities guiding the preparation of the work program; Section 3 presents the 2007 Indicative Financing Program; Section 4 discusses the proposed non-financing activities work program; Section 5 outlines key constraints and risks that will need to be confronted; and Section 6 presents conclusions and recommendations.

2. STRATEGIC CONTEXT AND OPERATIONAL PRIORITIES

Strategic Operational Activities

2.1 The proposed operational program for 2007 is built, and designed to deliver upon, core institutional commitments and strategic objectives, which are essentially the following:

2.2 ***Enhanced Country Focus*** – A key objective of the ongoing institutional reforms is to enhance the Bank’s country focus through stronger country teams under the leadership of Regional Departments, which are accountable for the delivery of the agreed Bank’s strategies and the overall health of the portfolio. The restructured Operations Complexes will, therefore, program and deliver all operations and services through a country-centered approach, framed by individual country strategies and led by Country Departments fully empowered with the responsibility of country dialogue, coordination of the country and regional financing and work programs, and allocation of budgetary resources.

2.3 ***Greater Selectivity*** – The 2007 Indicative Work Program is intended to concentrate operations on a limited number of priority areas, which reflect agreed country and institutional priorities and a rigorous assessment of the Bank’s own capacities. To reinforce this effort it is critical to build and deepen partnerships with current and emerging development partners in order to leverage up the Bank’s own financial and intellectual resources, achieve greater consistency and harmonization, and reinforce the broader selectivity objective.

2.4 ***Enhanced Quality and Impact of operations and Greater Size of Loans/Grants*** – Improving the development effectiveness of Bank operations, including through full implementation of the Action Plan to improve quality, requires intensified work. Additional steps will be taken to ensure quality-at-entry during the preparation of new operations. Measures will also be taken to include more clearly articulated and measurable performance benchmarks in these interventions to make sure that they have prospective development impact. Smooth implementation of the Bank Group’s portfolio has been impeded by the proliferation of small size operations, particularly under the ADB window. It is important to

reduce the number of operations and increase their size wherever possible in order to contain transactions costs, improve development impact, and assure more adequate supervision.

2.5 *Improved Portfolio Management* – Maximizing operational effectiveness requires enhanced portfolio management and performance through conducting systematic and thorough supervision and a substantial clean-up of aging and poor-performing operations. Key operational procedures for procurement and disbursement are being streamlined to reduce processing delays, and improve the Bank’s competitiveness, attractiveness and reliability as a development partner.

2.6 *Improved Coordination of Operations* – Delivering high quality development assistance requires a stronger coordinating mechanism that ensures coherence between operational programming and assistance strategies, higher quality at entry, and more effective supervision of the portfolio. The newly-created Operations Coordinating Committee introduces this essential coordination mechanism across the Operations Complexes; it will ensure greater alignment of operations and strategy, improved quality assurance, and effectively coordinated planning.

2.7 *Enhanced Policy Framework and Improved Business Processes* – Existing and emerging challenges in some cases require the Bank to develop new policies or adapt current ones. Delivering on the intentions underlying the new institutional structure and other reforms, including decentralization, requires that business processes be reexamined, streamlined, and reformed. A comprehensively revised set of business processes will be put in place to strip away internal inefficiencies and obstacles, reduce delays and transactions costs throughout the operations delivery cycle, and raise accountability for client responsiveness and service delivery.

2.8 *Harmonization, Alignment and Managing for Results* – It is essential that Bank Group’s assistance to regional member countries be effectively implemented so as to lead to maximum development impact. Enhanced partnerships that promote effective selectivity and reduced burden to aid recipient countries are critical to it. The Bank Group will continue to work at promoting enhanced coordination at country level, harmonization and alignment as well as disseminating a culture of results-based management. The Bank will also continue to pursue actively possibilities of co-financing with other development institutions.

2.9 *Building a Robust Pipeline of Projects* – The Bank Group’s existing pipeline of projects is neither sufficiently robust nor sufficiently focused. The Bank will therefore put enhanced focus on the identification of new project and programs, taking into account the need for these operations to be larger in size and have a significant development impact, and promoting, as much as possible, a synergy between the public and the private sector. During preparation of the new pipeline, the operations complexes will leverage the analysis and knowledge developed by the Chief Economist’s group as well as the findings of other Economic and Sector Work studies for selecting the new Bank Group’s interventions. Particular attention will be given to the areas of Infrastructure and Water, in which the Bank is deeply involved in major development initiatives such as NEPAD and the Rural Water Supply and Sanitation Initiative (RWSSI). Other sectors of focus will include private sector, rural development, health and education

2.10 *Boosting Private Sector and Public-Private Partnership Investments*- One of the most important components of the Bank’s strategic approach is enhanced private sector

participation, along with the public sector, in the provision of goods and services aimed at boosting the economy and improve the welfare of African populations. The Bank will, therefore, significantly increase its direct investments in private sector entities and in public-private partnerships as well as provide targeted assistance to help build the enabling environment urgently needed to stimulate private sector engagement and risk-taking.

Strategic Enabling Activities

2.11 Deliver on the core institutional commitments and strategic objectives also requires that the Bank Group successfully implement strategic activities aimed at creating an enabling environment for bank Group's business, as outlined below:

2.12 ***Further Decentralization*** – The Bank Group needs to develop a much stronger field presence through a larger network of more effectively staffed and empowered field offices in order to maintain a continuous and efficient dialogue with its regional member countries and ensure increased, improved, and timelier services to clients. It is necessary for the Bank to be adequately represented at country level to ensure full participation in and contribution to priority initiatives such as for Harmonization, Alignment and Managing for Results (HA & MfR). The expanded network of field offices will be strengthened further, including by staffing up to budgeted levels and with a more diversified set of skills, full integration into Country Teams, and greater delegated responsibilities.

2.13 ***Implementing a Prioritized Action Plan for Strengthening, Refreshing and Renewing the Human Resources*** – For the Bank Group to successfully deliver on its core commitments, all its organisations must refresh and renew their human capital. A prioritized Action Plan to deliver the recommendations agreed in the Human Resources Strategy will be implemented with an increasing focus client and service orientations designed to support and empower staff management and development. Bank's skills requirements will be reassessed against evolving needs and priorities, and to ensure appropriate and timely recruitment of new staff, including for all SFRID vacancies. Performance targets for recruitment will be developed and monitored. Effective and tailored induction will be given to all new staff.

2.14 A diversity strategy will be developed and implemented to ensure that, in addition to having the best people for the jobs, improvements are brought to the gender and age balance, and that an appropriate cultural and national mix is maintained. To this end, Management will use, inter alia, the opportunities presented by external recruitment, internal promotions, pro-active staff development and training. There will be a reassessment of the role of GS staff to ensure that their talents, skills and experience are fully used, including in those areas such as the procurement and disbursement processes where they can relieve some of the burden on PL staff.

2.15 New Directors and Managers will be in place in early 2007. They will be requested to work according to the new performance management arrangements, which will be also enforced, in order to improve the way that staff are managed, developed and supported. Managers will be expected to be effective in supporting the development of people in their departments and together with Directors will be responsible for ensuring that concerns raised by staff are addressed. The Bank will, therefore, undertake a staff survey to provide a

baseline, to help identify management issues that need to be addressed and to encourage positive changes. Increasingly staff in the Bank will be expected to gain experience in different departments and to demonstrate for example competence in managing others before assuming senior management positions. In other respects, the Bank will offer possibilities for those staff that prefer to remain specialists to pursue a career accordingly. To ensure that management can meet the legitimate interests of both the Bank and staff, a severance scheme will be put in place and budgeted for in 2007.

2.16 Management will undertake a review of the use of IT systems to ensure full utilization of their potential to support business objectives, provide timely management information, and support the development of the Bank as a knowledge institution. The Information and Communication Department (CIMA) will take the initiative to discuss with each complex its requirements and what support they need. There will be no significant further investment in new IT systems or software until satisfactorily ensuring that full use is made of the current SAP, and that where necessary staff are trained to use the tools currently available.

2.17 Delivering on the Bank's operational commitments requires that the **shortfall of human resources in the Operations Complexes** be addressed quickly, within the global Human Resources development Strategy. Operations staff capacity will be significantly enhanced, in particular for the newly created departments, by filling long-standing vacancies, completing the broader redeployment of Bank staff into front-line Operations positions, and investing in high-quality and well-targeted training. Particular attention will be given to the alignment of staffing to the new objectives of the Operations Complexes.

2.18 ***Zero-Growth and Result-Oriented Budgeting*** - Management will not seek any budgetary increase beyond the uplift resulting from the salary review. New budget processes and a results-based budget resource allocation framework will be developed and implemented to strengthen the country focus in programming and management of operations. Country-Sector Work Performance Contracts will be developed. Key performance indicators to be developed as a management tool will include indicators to report on and monitor expenditure throughout the year. Budget management capacity will be built among cost centre managers, in particular through delivery of the 2007 Executive Training Programme and specialized cost centre training. Measures of efficiency and effectiveness will also be developed in order to improve value for money. There will be improvements in the quality and timing of financial reports and the development of a Quarterly Institutional reporting for the Board to replace the quarterly Budget Implementation Report. A Medium Term Expenditure Framework for 2008-2010 including a Medium term Capital Plan will be developed.

2.19 ***Improving Financial Products/Services and Maintaining Bank Group's Financial Integrity*** - The Bank will continue to enlarge and improve the range of financial products and services offered by the Bank Group to respond to client needs and demand, to safeguard financial integrity and to improve financial soundness. Management will take the necessary measures to strengthen Bank's Risk Bearing Capacity in support of Lending Operations, increase the Bank's Intermediation Capacity, and improve the quality of the Bank's Sovereign and Non-sovereign Loan Portfolios. The current strong financial performance will be continued by raising cost effective resources, contributing to the Bank Group net income. The Bank's integrity and credit rating will be maintained by manage liquidity conservatively, asset and Liability management, efficient administration of shareholder/donor funds, and remaining

a best practice organization. Measures will be enforced to improve efficiency of disbursements and loan administration and improved communication with stakeholders, leading to quicker disbursements and reduction in complaints by borrowers. There will be improved communication with project managers. Alongside increased delegations there will be also improved internal controls over the assets of the Bank, by ensuring all staff engage in internal control processes, and take personal responsibility. Managers will be accountable for ensuring compliance with the internal control systems and for managing financial risks.

2.20 *Making of the Bank Group a True Knowledge Development and Dissemination Centre* – Effective and efficient support to Africa’s development requires that the Bank Group not only provide its RMCs with financial resources, but be a source of development-oriented knowledge. It is Management’s strong desire to make the Bank become the first port of call for African countries, helping provide the knowledge and information to support an African voice in international development debates. To this end, the guiding principles are to give, under leadership of the Chief Economist’s complex, greater visibility and prominence to knowledge, its dissemination and management.

2.21 The Bank will, therefore, during the course of 2007, deliver on key knowledge development and dissemination products including the following: (i) the annual development reports (African Development Report, African Economic Outlook, African development Review) and the Economic Research Working Papers Series; (ii) some 7 economic study reports for orienting operations; (iii) establishment of a Trust Fund for supporting knowledge management and sharing; (iv) developing and maintaining up-to-date database on key indicators ; (v) production and dissemination of statistical publication and provision of statistical support for monitoring for results; and (vi) restructure the African development Institute (ADI) and prepare it for the absorption of the Joint Africa Institute’s activities.

2.22 *Collaborating with Other MDBs on the Establishment of an Effective Anti-corruption Framework* - Corruption undermines sustainable economic growth and is a major obstacle to the reduction of poverty. The Bank Group is, therefore, working at putting in place its Anti-Corruption Unit by 2007. In conjunction with the other MDBs, the Bank will take the following actions to combat fraud and corruption:

- Agree on standardized definitions of fraudulent and corrupt practices for investigating such practices in activities financed by the member institutions;
- Agree on common principles and guidelines for investigations;
- Agree to strengthen the exchange of information, as appropriate and with due attention to confidentiality, in connection with investigations into fraudulent and corrupted practices;
- Agree on general integrity due diligence principles relating to private sector lending and investment decisions;
- Agree to explore further how compliance and enforcement actions taken by one institution can be supported by the others.

2.23 In addition the Bank will continue to work together to assist regional member countries in strengthening governance and combating corruption, in cooperation with civil

society, the private sector, and other stakeholders and institutions such as the press and judiciary with the goal to enhance transparency and accountability. In developing its engagement strategy in governance and combating corruption, the Bank will develop an illustrative typology of governance and corruption challenges in RMCs.

2.24 In RMCs where development policies are moderate to good and corruption risks low, Bank support will focus on: key priorities set in country owned PRS'; building capable state institution to consolidate recent improvements and promote growth and poverty reduction; reinforce institutions of accountability and transparency; strengthen capacity for policy formulation and regulatory functions that help manage structural change.

2.25 Where development policies are good but governance is weak and corruption risks are high, the Bank will concentrate its efforts on: un-bundling governance successes to better understand their strengths that produced better policies and build on those strengths; working to improve the investment climate and increase effective service delivery to the poor; focusing on a strong anti-corruption strategy through strengthening public institutions of accountability and checks and balances; promoting local and decentralized governance and strong community driven programs; and engaging with civil society and non-state actors to strengthen demand for good governance.

2.26 In fragile and post-conflict states experiencing sustained deterioration or unable to borrow because of arrears, Bank support will focus on: finding creative but cautious ways to stay engaged through support directed at civil society and non-state actors as a way to maintain Bank's country knowledge and ensure readiness to resume operations at a more propitious climate; helping build the basic institutions of state capacity, with a strong focus on rudimentary public financial management systems and basic service delivery; taking into account the limited capacity of institutions; and opportunistically targeting quick wins that help build public trust in the state.

2.27 The Bank will build safeguards mechanisms in the design of its operations in high risk environments. This will be achieved through:

- substantially upgrading the quality of the CGPs
- substantially raising the profile of Bank dialogue with governments on the CGP and CSP
- establishing a Governance and Anti-Corruption Advisory team to advise senior management on handling difficult governance situations and on the fair and equitable treatment of borrowers and
- agreement with other MDBs on standardized definition of fraud and corruption, on common principles and guidelines for investigations, strengthening the exchange of information, standardized definitions of fraudulent and corrupt practices, investigation of such practices; general integrity due diligence principles and compliance and enforcement.

2.28 In implementing its operation programs, the Bank will develop country specific Strategies for Operational Risk Mitigation (STORM). These will draw on CGPs and will eventually become a requirement for CSPs in RMCs where corruption risks are deemed high. The STORM's concern with corruption in Bank operations will principally be motivated by concerns about its impact on development effectiveness. Three following key principles will guide the design and implementation of the STORM: (i) *Prevention is better than cure*; (ii) *incentives to staff and borrowers matter*; and (iii) *strategic alliances with others is*

essential to succeed. All the above approaches will be further articulated in a policy paper, which is being finalized for presentation to Boards.

2.29 *Providing Effective Technical Support to the High Level Panel* – The High Level Panel will be supported in its work by a technical team of very experienced and senior individuals coordinated by the President’s office. The team will provide advice and analysis to the co-chairs and to the Members of the Panel. In so doing, they will draw fully on the expertise and experience of the Bank and its staff. The co-chairs are expected also to consult with the Bank’s shareholders in developing their recommendations. An interim report will be submitted in time for discussion by Governors at the 2007 Annual Meetings

2.30 In addition to the above, Management will work at developing a new Medium-Term Strategy for 2008, which will be built on more country-driven selectivity, an adequate resource base, and achieving demonstrable excellence in all operations. This Medium-Term Strategy will clearly define, for the Bank Group, its core areas of intervention, taking into consideration the Institution’s comparative advantage, areas of secondary priority as well as sectors, where the Bank will have minimum interventions, but will maintain its collaboration with other institutions.

2007 Operational Priorities

2.31 The specific 2007 operational program described below has been developed to meet these key commitments and will be delivered through, and in the context of, major institutional reforms. Where such reforms are already in place, their effective implementation will get intensive focus. Moving ahead with other key reforms, still in process and subject to Board review, is essential to reinforce the operations-related improvements made thus far and to embed positive change more fully across the organization.

2.32 The Bank Group’s operational work program is shaped by different contributing factors including, among others, the demand expressed by the RMCs and the regional organizations, the exposure risk of the ADB public and private sector windows, the amount of resources available for ADF countries both under the country and multinational allocation as well as the mandates entrusted to the Bank Group and the compliance of the proposed 2007 operations with Bank Group’s financing policies. The proposed work program will be concentrated in a few operational priority areas, which have significance for economic growth and poverty reduction. The major area of emphasis will be the development of infrastructure networks and services. Other areas of moderate focus include: (i) Support for **governance, economic reforms** and institutional capacity building through multi-sector assistance; (ii) Promotion of agriculture and rural development; (iii) Development of financial markets; and (iv) Support to private industry, mining and quarrying initiatives.

2.33 *Development of Infrastructure* – More equitable growth and development in Africa is acutely impeded by the lack of essential infrastructure networks at country and regional levels. The development of the infrastructure networks and services, mainly in the transport, power supply and water supply and sanitation sectors, for facilitating access to services is essential for achieving progress in all aspects of economic growth, international competitiveness, and social development. It significantly contributes to alleviating poverty by facilitating access to socio-economic services and reducing costs. The Bank Group will

concentrate its commitments in support to infrastructure development in the areas of : (i) Transport, with particular focus on the development of national trunk and rural road networks, and international transit corridors linking landlocked countries to seaports; (ii) Water with particular attention given to meeting the commitments made by the Bank Group within the framework of the RWSS initiative and to supporting an improved management of trans-boundary water resources, in line with NEPAD strategic thrusts; (iii) power supply with particular emphasis on the development of regional power markets to allow countries benefit from economies of scale. The Bank is increasingly getting external support for accelerating progress in the development of infrastructure networks across the continent.

2.34 Agriculture and rural development – Development of the agricultural sector will remain critical in Africa during the next decade, particularly in the ADF countries, due to their low-income and the pervasive poverty in the rural areas as well as the need to promote broad-based rural economic growth and enhanced access to basic services for rural populations. Despite the progress achieved in the area in most Middle Income Countries, a few of them will still need support to develop agricultural and agribusiness schemes. One of the major areas of focus, for the Bank Group, in the agricultural sector is the promotion of access to rural infrastructure services, especially in water management and irrigation and the development of community-based integrated agricultural and livestock schemes, mainly oriented towards enhanced food security. The Bank Group will, therefore, continue to support, during the upcoming year, project and programs aimed at providing a rural infrastructure template for enhanced agricultural production, mainly water harvesting and irrigation systems. The Bank Group will pay particular attention to national and regional projects and initiatives aimed at enhancing food production and food security in Africa, while providing support to private sector-led agribusiness schemes and agricultural produce marketing projects.

2.35 Multisector Assistance, Economic Management and Governance - Accelerating growth and achieving a significant progress in poverty reduction require that countries' macro-economic frameworks be strengthened and attractive environments for investments be promoted. The Bank Group has been providing support for macro-economic reforms. Furthermore, the Bank Group has been providing low-income countries with support for the preparation and implementation of poverty reduction strategic frameworks, for guiding priority investments aimed at accelerating progress towards the MDGs. During the upcoming year, the Bank Group will continue to contribute to the improvement of the macro-economic environment in RMCs, with particular focus on economic recovery in countries emerging from conflict and the implementation of PRSPs. For countries having fiduciaries in good standing, the Bank Group will provide direct budget support financing in line with the guidelines, which have been approved by the Boards to this end. In the case of ADF countries, the Bank Group will continue to provide policy-based support in line with agreed ceilings set out in the ADF-X policy guidelines

2.36 In the area of good governance, the Bank Group will support decentralization processes and projects aimed at improving the investment environment. Particular focus will be given to institutional capacity building as a lack of management capacity and poor information flow are common and serious obstacles to better governance. The Bank Group will mainstream governance concerns in all of its operations, and will continue to build its internal capacity in this priority area. The newly established Governance Department will enhance the operational focus of Bank Group's interventions in the area of governance, including through preparation of country governance profiles (CGPs) and Governance

Support Programs (GSPs), including policy-based governance support operations, using the findings of CGPs.

2.37 Promotion of Regional Integration through Multinational Operations. Fostering economic cooperation and regional integration among its RMCs has been one of the core mandates of the Bank Group, since inception. This results from the urgent need to federate African countries' weak economies into more viable integrated entities that may appropriately respond to the on-going globalization. The Bank Group will, therefore, continue to play a key role in promoting regional integration, particularly by support major African regional integration initiatives to which the institution is requested to contribute. These include, among others, the Infrastructure component of the NEPAD initiative, which has lent a fresh impetus to Africa's regional integration efforts. Within the framework of its assistance for economic cooperation and regional integration, the Bank Group will allocate most of its resources to the development of regional infrastructure networks and services such as transport corridors and interconnected power grids. The priority accorded to infrastructure networks is justified by their positive impact on the development of intra-regional markets, the reduction of service costs through economies of scale and shorter delays, the facilitation of cross-border trade and market integration.

2.38 Development of a robust and competitive private sector. The Bank's promotion of Private Sector development will follow a two-pronged approach: (i) utilization of resources available under the Private Sector window to provide direct loans to and take equity positions with private sector entities; and, (ii) support for reforms aimed at building viable environment for private investment and public-private partnerships (PPPs). During the upcoming year, the Bank Group will work towards significantly increasing its direct private investments at country and sub-regional levels, while providing public financing support for policy, legal, regulatory and institutional framework reforms conducive to attractive environment for private investment or PPPs, as appropriate. In terms of direct private sector lending, the Bank will put particular emphasis on supporting local financial markets through the provision of lines of credit to financial intermediaries and project loans for private investments in industry, mining and quarrying sector and the area of modern infrastructure projects such as in energy and telecommunications. The Bank will also pay special attention to financing microfinance schemes as well as the development of an enabling environment for Small and Medium Enterprises (SMEs) and Women entrepreneurship, including through the provision of technical assistance.

2.39 Crosscutting Issues - The Bank Group will continue to work through individual operations to mainstream crosscutting activities in line with approved policies on Poverty reduction, Gender, Environment and Involuntary Resettlement. Particular emphasis will be given to operational activities aimed at improving the management of natural resource-based livelihoods of the rural poor, at national as well as regional level, and maintaining their sustainability through a greater linkage between environmental management, poverty reduction activities and the public finances. In pursuit of its goal to promote gender equality as elucidated in its Gender Policy, the Bank Group will seek, as much as possible, to achieve tangible gender equality results through its operations, either in the form of embedded gender components or standalone interventions. To this end, it will use, as appropriate, tools at hand, including its Gender Plan of Action (GPOA), the Environment and Social Assessment Procedures (ESAP), Gender Profiles (GPs) and Guidelines as well as the Gender Budget

Initiative which seeks to quantifying financial contributions to gender equality As much as possible, training and capacity building will be included in gender equality activities in order to maximize their effectiveness.

3. FINANCIAL OPERATIONAL WORK PROGRAM

Financing Objectives versus Operational Work Program

3.1 **Financing Objectives** – Bank Group’s financing objectives are set to levels that reflect the assessment of the attainable level of financing for the year, based on the trend of operational performance in the last three years, taking into account the expected demand by RMCs, plus the absorptive capacity of the Bank’s clients and their creditworthiness in relation to the risk of exposure of the Bank Group’s resources and its prudential exposure limits The financing objective estimates also reflect the Bank Group’s delivery capacity, based on the preparations needed and the compliance requirements with financing policies and procedures, as well as an assessment of resource availability under the different financing windows.

Table 3.1 : 2007 Financing Objectives and Indicative Work Programme
(Amounts in UA million)

Facility	2006			2007		
	Financing Objectives (FO)	Projected Commitments	Projected % of Achievement	Financing Objectives (FO)	Indicative Work Program (IWP)	Slippage rate: IWP/FO (%)
ADB Public Sector	650	663.3	102%	650	852.0	131.1%
ADF	1,500	1368.3	91%	1,200	1232.6	102.7%
NTF	25	-	-	-	-	-
Bank Group Total Public Sector	2,175	2031.6	93%	1,850	2084.6	112.7%
ADB Private Sector	275	297.3	108%	500	600.0	120.0%
Bank Group Total Public & Private Sectors	2,450	2328.9	95%	2,350	2684.6	114.2%

3.2 Table 3.1 above presents the Bank Group’s financing objectives for the upcoming year against the backdrop of the work program proposed for processing to reach these objectives and the objectives and achievements of 2006. The proposed Bank Group Global Financing Objective amounts to UA 2,350 million, against UA 2,450 million in 2006. The Financing Objectives by source of funding are set as follows: (i) UA 1,150 million for the ADB, of which UA 650 million will be for public and publicly-guaranteed operations, and UA 500 million will be for and non-sovereign operations; and (ii) UA 1,200 million for the ADF window. Given the circumstances prevailing, pending the outcome of the evaluation of the Nigeria Trust Fund, no financing objective will be set up for this window during 2007.

3.3 Based on recent lending level projections, the financing objective for the ADB public window would be expected to increase from UA 625 million in 2005 to UA 800 million in 2007 taking into account measures proposed for adequate loan pricing and identification of lending niches that would help to boost Bank Group’s financing under the ADB window,

particularly the public sector portfolio. However, despite efforts made to make the ADB public sector window more attractive, a number of factors will seemingly impede any significant increase of its lending achievement: countries with high potential have not been borrowing, on account of their high oil revenues. More concessionary resources from other sources are still available to the Middle Income Countries (MIC) and, as a consequence, financing requests made so far are still modest. Also, the ADB pipeline rebuilding exercise is yet to be undertaken. However, a MIC strategy is under preparation during 2006, and, when completed, should provide guidance on how the Bank can strengthen its engagement with MICs and remain competitive.

3.4 Based on the foregoing, it has been decided to keep the financing objective of the ADB public window at the same level as in 2006. Meanwhile, some measures proposed for improving Bank Group's business in MIC are already in place, including, among others, the provision of closer support to ADB eligible countries through technical assistance grant resources for preparing operations, investment frameworks, and furthering economic reforms to build an environment conducive to investment. A number of such technical assistance proposals are in the pipeline for processing and financing under the MIC Trust Fund during 2007. The Bank will consider increasing its financing objective for the ADB public window, when positive signs are realized.

3.5 While recent trends for public sector lending to MICs with a sovereign guarantee have shown slowing demand, the pace of private sector and other non-sovereign operations continues to accelerate. This growth trends is expected to continue for the foreseeable future and is broadening in terms of both sector and country focus. Led by healthy world prices for most commodities, resource based development projects are rapidly picking up speed. This in turn is driving strong demand for support infrastructure in the power, telecommunications and transport sectors. Many of these borrowers will be publicly owned utilities that are operated on a commercial basis and can therefore fund themselves without a sovereign guarantee. Although traditionally dominated by MICs, many ADF countries, which are unable to borrow on non-concessionary terms with a sovereign guarantee, are looking to the private sector to finance their infrastructure needs. Even sectors such as health, which have traditionally been left to the public sector, are finding strong interest from the private sector. Given the robust demand, the private sector and non-sovereign window is forecasting new approvals in 2007 of UA 500 million, almost double the lending target in 2006. Taking into account the pipeline of projects under consideration and other factors likely to affect the quantity of transactions finally approved, the private sector work program for 2007 is estimated around UA 600 million. This is 20% higher than the financing objective.

3.6 In addition to increasing demand, the quality of private sector project proposals is also improving. The 2007 work program includes projects whose risk ratings will range from 1 (very low risk) to 6 (high risk)¹. Nevertheless, the target weighted average risk rating for total approvals for the year remains between 3 and 4 (moderate risk). This prudential objective and the large number of high quality projects that Bank is able to consider relative to its financing objective will ensure that the risk profile of the portfolio is maintained at or near current levels. As the private sector and non-sovereign portfolio grows in size and builds in quality, it is also expected that its contribution to the Bank's overall financial performance will continue to improve.

¹ All ADB projects are assigned a credit risk rating on a scale of 1 to 10, where 1 represents very low risk and 10 very high risk. Risk ratings reflect the creditworthiness of each specific transaction including the presence of any credit enhancement such as guarantees. Risk ratings are assigned at entry by FFMA and reviewed quarterly.

3.7 The ADF Financing Objective of UA 1,200 million has been established based on the review of ADF commitments made so far and the incoming approvals expected to be made by end December 2006. It reflects the level of availability, by end 2006, of resources for the last year of the ADF-X Replenishment cycle. It also takes note of the fact that most of the CSPs for ADF countries have been approved, thus allowing the normal processing of ADF operations currently in the 2006 work program. It should be mentioned, however, that the existing ADF pipeline of projects and, particularly, the requests received under the multinational window, exceed by far the Fund's available resources.

3.8 **Operational Work Program** - Table 3.1 also presents the Indicative Work Program for the Bank Group, which represents the estimated cumulative value of programs, projects and studies proposed for processing and eventually financing during the upcoming year (See Annex I for the list of operations included in the Work Program). The cumulative amount of proposed loans and grants is estimated at about UA 2,684.6 million for both ADB and ADF financing windows. Preparation for some of these operations has already started and they are expected to be ready for presentation to the Board early next year; most proposals, however, are still at an early stage of readiness and will require that their processing for Boards' consideration be accelerated.

3.9 The Indicative Work Program exceeds the overall Financing Objectives by about UA 484.6 million. This difference represents an average "slippage" (or over programming) factor of about 14.2.% reflecting allowances made for possible drop out from the Work Program because of, among other things, disruption of operations due to change of priorities by countries, sanctions and the situation of conflicts as well as the lack of resources due to the attainment of allocation ceilings. In the specific case of the ADB public window, work programs are often affected by changes resulting from the competition still facing the Bank Group non-concessionary public resources in the Middle Income Countries. For private sector and non-sovereign operations, the relatively high IWP/FO ratio of 120% reflects the inherent uncertainty of private sector operations, the long gestation periods for infrastructure projects and the relatively high drop-out rate due to competition. Slippages need therefore to be accounted for in the operational work program since, in the course of the year, as developments in RMCs and the Bank become clearer, some programs, projects and studies may be removed or postponed in the processing schedule, while new ones may be added in accordance with changes at country level and financing requirements. Furthermore, these changes may, in the case of sector-based projects and programs, be aimed at reflecting new developments in the sector without abandoning the entire program.

3.10 The utilization of the Debt Sustainability Framework (DSF) approach and the Enhanced Performance-Based Allocation (EPBA) systems for the allocation of ADF-X resources will inevitably result in changes in the amount and nature of resources available to individual ADF countries. Programmed ADF operations for 2007 will exhaust the remainder of ADF resources made available under the ADF-X agreement. The inclusion of operations in the ADF work program has, therefore, been a very selective process to identify specific activities that are clearly aligned with country strategies and have a high probability of being processed, within the limits of available allocations. This explains the low level of the slippage rate under ADF, which is slightly below 3%.

Source of financing and Country Category

3.11 Table 3.2 below shows the breakdown of the Work Program by source of financing. Out of a total of UA 2,684.6 million, about UA 1,452 million is proposed for financing public and private sector operations from ADB resources, while UA 1,232.6 million worth of operations is proposed for processing under the ADF-X resources. The share of ADB-only countries is about UA 1,202 million or 44.8% of the Bank Group total work program, while the ADF-only and blend countries absorb UA 1,042.7 million (38.8%) and UA 154.9 million (5.8%) of this work program, respectively. The balance of 10.6% is comprised of multinational operations, which are proposed for consideration under the ADF-X multinational allocation and the ADB private sector window.

Table 3.2 : Distribution of the 2007 Work Programme by Country Category
(Amounts in UA million)

Country Category	ADB		ADF		NTF		BANK GROUP	
	Amount	%	Amount	%	Amount	%	Amount	%
ADF- only *	157.5	10.8%	885.2	71.8%	-	-	1,042.7	38.8%
Blend	62.5	4.3%	92.4	7.5%	-	-	154.9	5.8%
ADB-only *	1,202.0	82.8%	-	0.0%	-	-	1,202.0	44.8%
Sub-Total	1,422.0	97.9%	977.6	79.3%	-	-	2,399.6	89.4%
Multinational	30.0	2.1%	255.0	20.7%	-	-	285.0	10.6%
Grand Total	1,452.0	100.0%	1,232.6	100.0%	-	-	2,684.6	100.0%

* Including Private Sector operations

3.12 In addition to participating in co-financing schemes with its own resources, the Bank will work at mobilizing additional resources for RMCs from other development partners. Most of the public and private financing operations are envisaged within the framework of co-financing arrangements, which also promote synergy among donors through enhanced aid coordination, exchange of experience and co-bearing of risks. With respect to SWAp and budget support, the Bank Group will continue to provide assistance to RMCs through such arrangements, on a case by case basis, taking into consideration the approved guidelines. The Bank has initiated discussions with the European Union, Agence Française de Développement, Arab Financial Institutions, World Bank and bilateral donors for co-financing in particular infrastructure projects during 2007.

Distribution per Complexes and Departments

3.13 Table 3.3 below presents the regional distribution of the 2007 Work Program, based on the organizational structure of the two Complexes in charge of preparing and implementing the operations proposed for financing by the Bank Group, namely the OSVP and the OIVP complexes. The OSVP complex accounts for 27% of the whole work program, while the OIVP complex, which also includes the Private Sector Department, represents about 73% of the work Program. The share of the Private Sector window in the ADB work program is expected to be about 41.3%, representing some 22.8% of total financing of the Bank Group in its RMCs. The remaining 58.7% of the ADB work program will go to public financing in the

ADB countries through operations processed by both OSVP (21.1%) and OIVP complexes (37.5%). The ADF resources will go to the category A (ADF-only) and B (Blend) countries through operations handled by OSVP (about 33.9% of ADF work program) and OIVP (about 66.9%).

Table 3.3 : 2007 Bank Group Operational Work Programme by Department
(Amounts in UA million)

DEPT	ADB		ADF		NTF		BANK GROUP	
	Amount	%	Amount	%	Amount	%	Amount	%
OSVP	307.0	21.1%	418.2	33.9%	-	-	725.2	27.0%
OSAN	130.0	9.0%	130.7	10.6%	-	-	260.7	9.7%
OSGE	137.0	9.4%	201.2	16.3%	-	-	338.2	12.6%
OSHD	40.0	2.8%	86.3	7.0%	-	-	126.3	4.7%
OIVP	1,145.0	78.9%	814.4	66.1%	-	-	1,959.4	73.0%
OINF	485.0	33.4%	528.3	42.9%	-	-	1,013.3	37.7%
ONRI	-	0.0%	-	0.0%	-	-	-	0.0%
OWAS	60.0	4.1%	273.1	22.2%	-	-	333.1	12.4%
OPSM	600.0	41.3%	13.0	1.1%	-	-	613.0	22.8%
BANK GROUP	1,452.0	100.0%	1,232.6	100.0%	-	-	2,684.6	100.0%

Sector Distribution

3.14 The distribution of operational work by sector of intervention is dependent on both the needs and the investment priorities of individual Regional Member Countries. Table 3.4 below shows the distribution of Bank Group 2007 Financing Work Program per sectors of intervention and compares it with the projected commitments by end December 2006. Globally, the proposed work program is characterized by a concentration in the priority area of infrastructure development, with about 57% of the resources earmarked for operations in the sectors of transport, energy, water and communications. Finance (12.5%) will remain significant accounting for more than 12% of new commitments, although in decline relative to 2006. Also, multi-sector operations including structural and sector adjustment loans, budget support for implementation of PRSPs, institutional support for capacity building and good governance, are expected to be a major area of concentration with about 11.6% of the work program. Other sectors of focus for the Bank Group include Agriculture and Rural Development, which represents, with some 10.5%, a significant share of the work program, despite the significant decrease recorded under the ADF in this area.

3.15 **Infrastructure Development** – The increasing priority accorded by African countries to infrastructure development among the pillars of their PRSPs or their national development plans and reflected in the Bank Group's CSPs has been translated into a major shift in the financing requests submitted for consideration under the Bank Group's ADB and ADF windows. Globally, the development of infrastructure will draw some 56.5% of the resources to cover operations in the sectors of transport, water supply, power supply and communication. The total Work Program is expected to allocate the highest percentage of financing to the transport sector, largely due to demand emanating from Middle Income

Countries as well as for rural and trunk roads² in the ADF countries. This is complimented by a very high multinational demand for financing infrastructure as well as transit facilitation projects along international transport corridors.

Table 3.4 : 2007 Bank Group Operational Work Programme by Sector
(Amounts in UA million)

Sector	ADB Window				ADF Window				TOTAL BANK GROUP FOR 2007	
	2006		2007		2006		2007		Amount	%
	Amount	%	Amount	%	Amount	%	Amount	%		
Agriculture and Rural Development	23.7	2.5%	150.0	10.3%	234.4	17.1%	130.7	10.6%	280.7	10.5%
Industry, Mining and Quarrying	59.9	6.2%	100.0	6.9%	-	0.0%	-	0.0%	100.0	3.7%
Infrastructure	235.7	24.5%	715.0	49.2%	615.5	45.0%	801.4	65.0%	1,516.4	56.5%
Transport	102.5	10.7%	315.0	21.7%	324.8	23.7%	362.0	29.4%	677.0	25.2%
Water Supply and Sanitation	69.6	7.2%	60.0	4.1%	172.1	12.6%	273.1	22.2%	333.1	12.4%
Power Supply	63.6	6.6%	310.0	21.3%	118.6	8.7%	166.3	13.5%	476.3	17.7%
Communication	-	0.0%	30.0	2.1%	-	0.0%	-	0.0%	30.0	1.1%
Finance	506.3	52.7%	295.0	20.3%	-	0.0%	40.0	3.2%	335.0	12.5%
Social	61.5	6.4%	55.0	3.8%	200.8	20.9%	86.3	7.0%	141.3	5.3%
Education	-	0.0%	-	0.0%	100.0	7.3%	52.0	4.2%	52.0	1.9%
Health	-	0.0%	15.0	1.0%	40.0	2.9%	-	0.0%	15.0	0.6%
Other Social	61.5	6.4%	40.0	2.8%	60.8	4.4%	34.3	2.8%	74.3	2.8%
Environment	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Multisector *	73.5	7.7%	137.0	9.4%	317.7	23.2%	174.2	14.1%	311.2	11.6%
Bank Group	960.6	100%	1,452.0	100.0%	1,368.3	106%	1,232.6	100.0%	2,684.6	100.0%

* Multisector includes, among others, Structural and Sector Adjustment Loans as well as support for institutional capacity building, governance and poverty reduction schemes

3.16 Proposals for infrastructure development represent about 49.2% of the total ADB work program with the largest share (21.7%) earmarked for the transport sector, largely on account of the Bank's continued support to major motorway and national trunk and rural road network development projects and programs in Tunisia and Morocco. As for the ADF, its infrastructure work program accords the largest share to the **transport sector** with (29.4%). Operations proposed for processing under ADF will put emphasis on helping countries, through projects and studies, to develop efficient transport infrastructure networks, mainly roads, which are critical for achieving the MDGs and fostering sustainable economic growth, through enhanced mobility and access to services. In line with the Bank Group's commitment to contribute to the advancement of the NEPAD infrastructure component, the Fund will also continue to support projects and programs aimed at developing international transport corridors aimed at facilitating access to seaport for landlocked countries, with particular emphasis on sub-regions such as Central Africa that are still lagging behind in the area of corridor development. However, in 2007, the Fund's participation in the financing of these corridors development operations will be limited, given the smallness of the expected balance of resources under the ADF multinational allocation by end 2006 and the high costs of multinational transport projects

3.17 **Power supply** remains a major area of focus, reflecting high demand for electricity projects in both ADB and ADF countries as well as at sub-regional level. The power sector will account for 21.3% of the ADB work program dedicated to the financing of major electricity projects in Morocco and Tunisia, and a Private Sector-supported energy project.

² Support for road projects represent more than 75% of the Bank Group's cumulative commitments in the Transport Sector.

With some 13.5% allocated to power supply, ADF interventions will mainly focus on supporting power production and transmission projects, including rural electrification and rehabilitation of existing systems in countries regaining political stability such as Burundi and preparation of new projects in countries such as Zimbabwe and Guinea. As in the transport sector, the Bank Group has also been utilizing ADF-X resources to accelerate the implementation of the energy component of the NEPAD Short Term Action Plan for infrastructure development in Africa. The Fund will continue to support the STAP energy component by providing financing for the interconnection of power grids in the three countries of Zambia, Kenya and Tanzania.

3.18 Interventions in the **water supply and sanitation sector** (22.2% of the ADF work program) are expected to contribute to progress in the implementation of the Rural Water Supply and Sanitation Initiative (RWSSI). In line with its commitment to advance the RWSSI and utilize up to 30% of the ADF-X resources in support of this initiative, the Bank Group is still committed to providing financing for improving the access of rural populations to safe drinking water and adequate sanitation. Despite the limited resources available under ADF, additional efforts have been made to increase the RWSSI work program, in comparison with its level of 2006. This has resulted in a total share of rural water supply and sanitation in the 2007 ADF work program slightly above 10.5%. However, the Bank Group would still require intensifying the mobilization of additional resources for accelerating the implementation of the RWSS initiative. Based on current projections, the cumulative RWSSI approvals under ADF-X are expected to reach some UA 396.31 million, representing about 13.80% of the ADF-X total allocation to countries. This percentage is low when compared to the ceiling of 30% of the ADF-X resources that was authorized for financing RWSSI projects and programmes. This is justified by mainly two reasons : (i) some countries having RWSS as a priority have exhausted their allocation ; while (ii) for some other countries, RWSS was not a priority in their CSP. It should be recalled, however, that there was no earmarking of 30% of the ADF-X resources for exclusive use in RWSSI operations, this ceiling being just an indicative target. exceptional efforts will be made in 2007 to build a larger and more robust pipeline of deliverable projects under this Initiative.

3.19 The 2007 RWSSI portfolio will include interventions in countries such as Burkina Faso, Mali, Mozambique and Nigeria. In the case of Mali, Bank Group's assistance would be supporting the second phase of the national RWSSI program. RWSSI master plans will also be prepared through study grants and loans in countries such as Zimbabwe, for consideration and eventual financing in the nearer future. Additionally, the Fund will provide support for other types of water supply and sanitation projects such as in Angola, Djibouti and Kenya. As for the ADB window, about 5% of its infrastructure share is allocated to water supply and sanitation operations, namely one sewerage project in Mauritius and an urban WSS project in Swaziland.

3.20 **Financial Sector** - Lending to the financial sector will remain significant, with 20.3% of the total ADB work program and a sector portfolio essentially comprised of lines of credit to financial intermediaries including microfinance institutions. This reflects a mix of financing operations with regional development banks and commercial banks whose on-lending activities directly contribute to the development of private sector growth. For the regional development banks, the Bank will develop a range of complementary products and services to deepen its partnership with these institutions. For the commercial banking sector, the Bank

will continue to focus much of its attention on the larger and more developed financial markets and will seek to strengthen second tier institutions with technical assistance and capacity building.

3.21 Multisector; Economic Management and Governance - This category of operations includes those interventions financed through the following: structural and sector adjustment, governance, support to PRSPs and institutional capacity building. The Bank Group will continue to support economic reforms and good governance in RMCs through direct budget support and institutional capacity building programs. In response to increased demand from RMCs, these operations will represent an important share of the Bank Group's activities in 2007. As indicated in Table 3.4, they are expected to account for slightly over 14.1% of the ADF Work Program and for about 11.6% of the total Bank Group financing work program. ADF's assistance through direct budget support will benefit countries such as Uganda, Rwanda and Kenya. Support will also be provided to RMCs emerging from conflicts such as DRC and Central African Countries to assist their efforts to adjust/strengthen their macroeconomic framework implement their poverty reduction strategies (PRSs) or their economic recovery programs and improve their governance and economic management systems. Additionally, ADF's support in 2007 will include institutional and capacity building interventions for good governance, including in countries in situation of chronic arrears such as Comoros. The ADB window is also expected to allocate slightly more than 9.4% of its work program in the form of policy based loans in support to economic and financial reforms in Gabon and Mauritius, and for multi-sector capacity building in Equatorial Guinea.

3.22 Agriculture and Rural Development - The proportion of the ADF work program allocated to the sector of agriculture and rural development has become relatively low, as compared to its levels of the past several years. However, this sector still remains an important area of support by the ADF, which is expected to concentrate its assistance on operations aimed at supporting the Comprehensive Africa Agriculture Development Programme (CAADP) of the NEPAD for priority investment in the following main pillars i) increasing food production and security; ii) developing rural infrastructure and trade related capacities for market access to support growth in the agriculture sector; iii) promoting agricultural research and technology dissemination and adoption and iv) increasing land and water management through small scale irrigation development, upgrading and rehabilitation of existing irrigation systems. The Fund will also provide support for the development of livestock. Usually on the low side during the past several years, lending under ADB is expected to be slightly enhanced in the sectors of agriculture and rural development with 11.6% of the work program, mainly aimed at supporting the second phase of one major public sector agricultural program and a few private sector-led agribusiness projects. In support of its assistance in the agriculture and rural development sector, the Bank Group will continue to leverage its partnerships with institutions such as IFAD for co-financing and FAO for project preparation.

3.23 Industry, Mining and Quarrying - The sector of industry, mining and quarrying will represent about 6.9% of the total ADB program, largely on account of private sector led mining projects. In 2007, the Bank will focus on upgrading its analytical work with a specific emphasis on mining projects so that it can gradually play a greater role in advising regional member countries on the structuring of commercial transaction to ensure an equitable sharing of the project costs and benefits among all stakeholders.

3.24 **Other Areas of Limited Focus** - As a result of the major shift of the financing demand towards infrastructure development, purely social operations will not represent a significant proportion of the ADF 2007 indicative financing work program. The Fund's proposed interventions in this area will be limited to a participation in a Sector Wide Approach (SWAp) Program on secondary education in Tanzania, a post-conflict program in Côte d'Ivoire and the preparation of social infrastructure maintenance project in Togo. In the area of finance, the only intervention proposed concerns the reform of the Kenya Financial sector, while there are no standalone operations for environment protection in the work program for the moment. Similarly, the balance of the ADB work program is expected to cover the social (specific targeted interventions) and communication sectors, which will receive only marginal interventions representing 3.8% and 2.1% of the work program, respectively. Other sectors such as environment, education and health are not expected to benefit from ADB resources during the upcoming year. It is noted, however, that the current work program does not capture proposals that may be eventually processed during the year for financing with ADB grants under the Middle Income Country Technical Assistance Facility (MICTAF) technical assistance activities such as studies for project preparation, or the Special Relief Fund (SRF) for emergency operations.

3.25 **Human Development** - ADF resources programmed for human development in the 2007 work program have registered a sharp decline due to the emerging focus on infrastructure. Nevertheless the Fund will continue to provide strategic support in areas that expand access to social services in critical areas. ADF will support the reconstruction of basic social infrastructure in post-conflict countries, as well as resource community-driven schemes for social development, particularly those that lend themselves to employment. The Fund shall also provide assistance in the domain of tertiary education by providing support to a multinational institute of science and technology. Support will also be provided to communicable diseases, especially through enhancing the health dimensions of infrastructure interventions. Notably, efforts will be made to draw on social analyses to improve the quality of HIV/AIDS dimensions of transport projects as well as those that relate to water-borne diseases in water interventions. Increasing interface between health, education, social protection and infrastructure shall be expected to give added value to the overall ADF portfolio. ADF non-financing activities will also bolster the human development dimensions of 2007 operations. They include a number of gender profiles, which shall serve as a resource on for related country operations, studies on telemedicine, as well as an analysis of the Bank's operations in HIV/AIDS. Concerning ADB resources, a project is planned for community social development in Egypt that will focus on expanding health services.

Multinational Operations Work Program

3.26 The key role entrusted to the Bank Group in major African development initiatives has resulted, during the last five years in a steady increase of requests for financing multinational projects and programs sponsored by groups of countries sharing common development interest, or by regional organizations, particularly Regional Economic Communities (RECs), in their efforts to implement regional development plans under their purview. Within this context, the Bank Group has been instrumental in providing resources for the kick off of initiatives such as the infrastructure component of the New Partnership for Africa's development (NEPAD), the African Water Vision (AWV), the International Comparison Program (ICP), etc.

3.27 The existence of a specific multinational allocation under the ADF and the possibility offered by all Bank Group's other windows to finance multinational operations has been instrumental for advancing regional integration plans of action. Consequently, the Bank Group's multinational portfolio has substantially increased over the years and in the particular case of the ADF, the level of requirement currently listed in the pipeline of projects is far beyond the balance of resources available under the ADF-X replenishment. The increasing demand for multinational operations is further justified by the countries' renewed interest in the promotion of regional infrastructure networks, as a way of strengthening their base for economic growth through enhanced trade, while cutting on costs of infrastructure service delivery through economies of scale.

Table 3.5 : Distribution of the 2007 Multinational Operations Work Program by sectors
(Amounts in UA million)

SECTOR OF INTERVENTION	ADB		ADF		Total	
			Loans and Grants			
	Amount	%	Amount	%	Amount	%
Agriculture and Rural development	-	-	-	-	-	-
Environment	-	-	-	-	-	-
Transport	-	-	160.0	62.7%	160.0	56.1%
Industry	-	-	-	-	-	-
Integrated Water Resources Management	-	-	-	-	-	-
Power Supply	-	-	70.0	27.5%	70.0	24.6%
Telecommunication	30.0	100.0%	-	-	30.0	10.5%
Finance	-	-	-	-	-	-
Education	-	-	12.0	4.7%	12.0	4.2%
Health (Communicable Diseases)	-	-	-	-	-	-
Human Resources Development	-	-	-	-	-	-
Other Social	-	-	-	-	-	-
Multi-Sector	-	-	13.0	5.1%	13.0	4.6%
Total Multinational Operations	30.00	100%	255.00	100%	285.00	100%
Total 2007 Work Programme	1452.0		1232.6		2684.6	
% of Multinational Operations	2.1%		20.7%		10.6%	

3.28 In line with the foregoing, the Bank Group 2007 operational work program will accord due consideration to regional integration operations, taking into account, among others, the limited resources available under the ADF and the need for equity in the allocation of resources to multinational operations. The current 2007 Work program allocates 10.6% of its total estimated amount to multinational projects and programs, to be financed mainly under the ADF window. The Bank Group Private Sector is also expected to contribute to one private sector-led multinational telecommunication program while providing support to some regional institutions in the area of private sector development, using ADF resources.

3.29 Table 3.5 above presents the distribution by sector of multinational operations proposed for processing during the year. It highlights the major shift towards infrastructure development that characterizes the Bank Group's 2007 work program. Thus, about 91% of the proposed multinational portfolio will be dedicated to regional infrastructure development in

the sectors of transport (56.1%), power supply (24.6%) and Telecommunication (10.5%). This reflects the high priority accorded by the Bank Group to projects and programs contributing to the achievement of the strategic objectives of the NEPAD Short Term Action Plan, including the promotion of intra-African trade, while facilitating countries' access to economies of scale through the interconnection of their national infrastructure networks.

3.30 Focus in the transport sector will be on facilitating transit along the international corridors in Central Africa, namely those linking the sea port of Douala, Cameroon to Chad and Central African Republic. A proposal has also been made to build a road link aimed at providing a template for enhanced economic cooperation and integration between Eastern Nigeria and North Western Cameroon, following the agreement reached on the Bakassi peninsula. This road link will also improve the connectivity between West and Central Africa. As to the power supply operation, it aims at interconnecting the national power grids of Zambia, Kenya and Tanzania.

3.31 The multinational work program will also cover the area of higher learning, through the promotion of the African Institute for Science and Technology. This project proposed for financing under the ADF represent about 4.2% of the multinational work program total amount. The balance of 4.6% of the work program will be dedicated to supporting regional initiatives for promoting private sector development, including support to AMSCO. The above distribution of the multinational work program shows, that due to the limited availability of resources under the ADF multinational allocation, selectivity had to be applied in the preparation of the portfolio and most of the sectors have therefore not been targeted for financing, despite the existence of a pipeline of more than UA 750 million worth of projects.

Distribution per Financing Instruments

Table 3.6: Financing Instrument Breakdown of Bank Group 2007 Work Programme
(Amounts in UA Million)

Sector	ADB				ADF				TOTAL		
	Nb	Amount	%	Average Size	Nb	Amount	%	Average Size	Nb	Amount	%
LOANS	36	1,452.0	100.0%	40.3	29	844.2	68.5%	29.1	65	2,296.2	85.5%
Specific Investment Operations	24	1,020.0	70.2%	42.5	22	753.2	61.1%	34.2	46	1,773.2	66.1%
Sector Investment Operations	-	-	0.0%	-	1	40.0	3.2%	40.0	1	40.0	1.5%
Lines of Credit	6	250.0	17.2%	41.7	-	-	0.0%	-	6	250.0	9.3%
Policy Based Operations	3	122.0	8.4%	40.7	2	40.0	3.2%	20.0	5	162.0	6.0%
Guarantee	2	45.0	3.1%	22.5	-	-	0.0%	-	2	45.0	1.7%
Studies	-	-	0.0%	-	3	6.0	0.5%	2.0	3	6.0	0.2%
Institutional Support	1	15.0	1.0%	15.0	1	5.0	0.4%	5.0	2	20.0	0.7%
Other Project Cycle Activities	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
GRANTS	-	-	0.0%	-	23	388.4	31.5%	16.9	23	388.4	14.5%
Specific Investment Operations	-	-	0.0%	-	10	255.9	20.8%	25.6	10	255.9	9.5%
Sector Investment Operations	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
Lines of Grant	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
Policy Based Operations	-	-	0.0%	-	4	103.5	8.4%	25.9	4	103.5	3.9%
MIC Initiative	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
Emergency Assistance	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
Studies	-	-	0.0%	-	3	3.3	0.3%	1.1	3	3.3	0.1%
Institutional Support	-	-	0.0%	-	6	25.7	2.1%	4.3	6	25.7	1.0%
Other Project Cycle Activities	-	-	0.0%	-	-	-	0.0%	-	0	-	0.0%
Total Loans and Grants	36	1,452.0	100%	40.3	52	1,232.6	100%	23.7	88	2,684.6	100%

3.32 Table 3.6 above presents, in detail, the distribution of the 2007 Work Program by type of financing instruments, for the Bank Group's active financing windows. The ADB is expected to provide assistance essentially in the form of loans, with the possibility of having during the year, a few technical assistance grants under the MIC Fund and emergency support

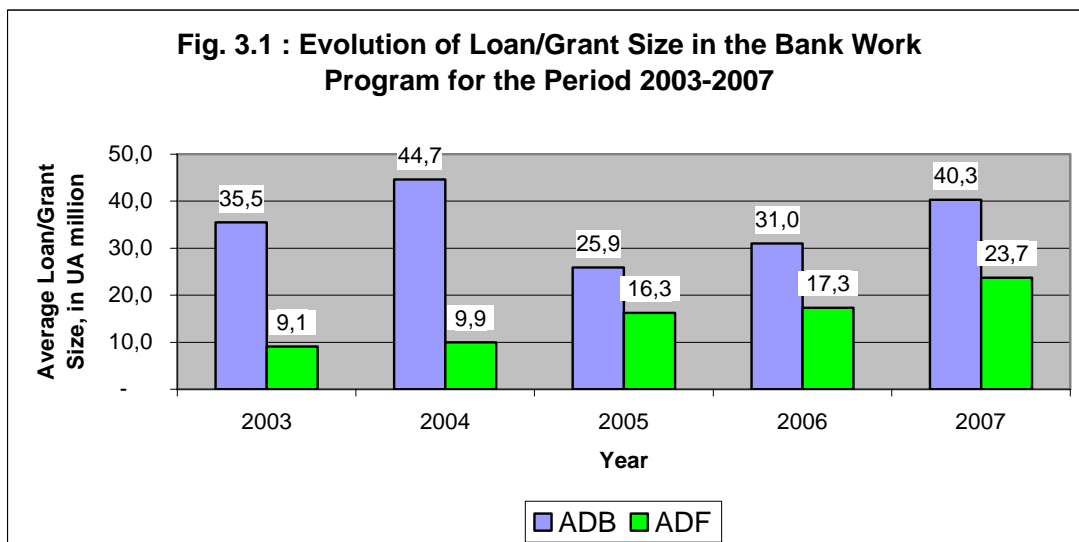
operations under the Special Relief Fund (SRF). As for the Fund's interventions, in line with the outcome of the Debt Sustainability Analysis, they will be financed with grants, loans or a mix of loan and grants, irrespective of their nature. It will depend only on the country category, as defined by the ADF resources allocation exercise, which classifies ADF eligible RMCs in loan-only (green), grant-only (red) countries or countries eligible to a mix of loans and grants (yellow).

3.33 As indicated in table 3.6, pending the identification of eventual technical assistance or emergency relief operations, the ADB is not expected to provide grant financing for the moment and will finance essentially through specific investment loans, which will represent nearly 70% of the ADB work program. Lines of credit to financial intermediaries will total 17.2%, while policy-based and institutional support operations will amount to 8.4% and 1.0%, respectively. The Private Sector window is also expected to work on at least two guarantees, representing 3.4% of the ADB work program.

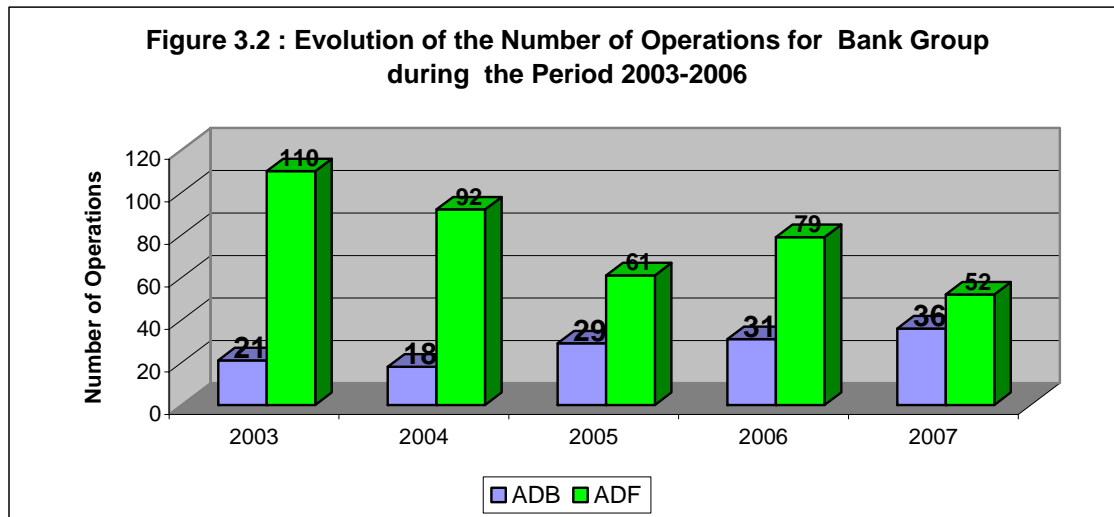
3.34 The ADF will provide financing through loans for 68.5% and grants for 31.5%. Specific investment operations will continue to dominate the Fund's financing with a total of 81.9% including 61.1% of loans and 20.8% of grants. Policy based operations account for a total of 11.6% composed of 3.2% of loans and 8.4% of grants, including one budget support operations for Rwanda (grant). The balance covers different financing instruments with lower shares in the portfolio: sector investments operations (3.2%), institutional support (2.5%) and studies (0.8%) .

Number and Size of Operations

3.35 Figure 3.1, Figure 3.2 below and Annex II present the evolution in number and size of the operations financed under the ADB and ADF windows, during the period 2003-2006 and as projected for 2007, for different financing instruments. The ADB window is characterized by the lowest number of operations which has been ranging between 18 and 36 during the period 2003-2007 .Compared to the year 2006 and before, the number of ADB operations is expected to increase significantly in 2007, on account of enhanced private sector lending and additional emergency assistance and MIC technical assistance grants, which are not yet identified and included in the proposed work program.



3.36 The average size of ADB-funded operations has fluctuated between UA 25 million and UA 45 million. As per the projections for 2007, the size of ADB loans is expected to vary between UA 15 million for a capacity building project and UA 150 million for a major infrastructure project while their average size is estimated at UA 40.3 million. It should be noted, however, that these average are significantly biased when there are an important number of small size of technical assistance and support for emergency operations financed under the MIC Trust Fund and the Special Relief Fund (SRF), respectively. This type of operations generally drags down the computed average. The size of normal ADB operations, computed by excluding the SRF and MIC Trust Fund operations is higher and varies between 40.3 UA and UA 74 million, although in decline since 2003.



3.37 The ADF window has been characterized during the past several years by a large number of small size operations. However, action has been taken to increase the average size of operations to be financed by the Fund and as indicated in Annex II, their average size has increased from UA 9.1 million to 17.3 in 2006. Their number had also been reduced from 110 to 61 operations in 2005. However, due to special circumstances related to the processing of ADF-X CSPs, the year 2006 has been overloaded with more than 79 operations. It is worth underscoring that, since then, a significant effort has been made, which has resulted, during the preparation of the 2007 Indicative Operational work program, in a substantial increase in the average size of operation. It is expected to reach UA 23.7 million, while the number of operations would be reduced by almost 60% to be around 52. With the exception of studies and institutional support projects, the average size of ADF operations is expected to vary between UA 30 million and 40 million for loans, and to be in the 28-29 range for grants.

4. NON-FINANCING ACTIVITIES WORK PROGRAM

4.1 The current institutional reforms aim at significantly improving the operational effectiveness and the focus of the Bank Group. Pursuing this objective requires that the Bank Group, in addition to consolidating its financial strength and governance, be operationally

relevant and focused in order to achieve results in the delivery of its development assistance. To this end, the institution has identified priority non-financing actions aimed at improving the way Bank Group does business. The 2007 Non-financing Work Program will focus on actions aimed at pursuing, in priority, over the following objectives: (i) enhancing the decentralization of Bank Group's activities for a stronger dialogue and closer collaboration with Regional Member Countries; (ii) strengthening the Bank's quality assurance system and improving its portfolio; (iii) broadening and deepening the Institution's economic and sector work; (iv) preparation of country and regional assistance strategies; (v) reinforcing the toolkit of operational procedures, policies, strategies and guidelines; (vi) developing private sector operations; (vii) strengthening partnerships and improving aid coordination; and (viii) participation in major African development initiatives. The section below outlines specific actions under the non-financing activities that the Bank Group envisages to undertake during the year 2007.

Decentralization of Bank Group Activities

4.2 Efficient dialogue with regional member countries and high quality delivery of the Bank Group's products and services cannot be envisaged without a strong, highly qualified and adequately empowered field presence. Adequate field representation is also critical to the full participation of the Bank Group in the international agenda on Harmonization, Alignment and Managing for Results (Rome and Paris declarations). The implementation of the Bank Group's decentralization program of establishing 25 field offices has led to the opening of some 14 offices³. Lessons drawn from the evaluation of this first batch of field offices have revealed the necessity to reinforce existing field representation with a stronger mandate to decide and deliver on behalf of the Bank Group, enhanced delegation of powers, and an appropriate size and skill mix of staff in relation to the country portfolio. Management is, therefore, proposing to strengthen field presence accordingly. Field staffing will be adapted to country needs, priorities and portfolio, and the delegation of authority will be enhanced to give field offices greater policy and financial authority, while ensuring strong fiduciary controls and safeguards. Such measures are expected to secure better client support and responsiveness in all aspects of the Bank's operations. Management will bring proposals for further strengthening the capacity of its country and regional offices to the Board in early 2007. Offices already opened or opened, some under interim arrangements, in the last quarter of 2006 (the latter are expected to include Cameroon, Chad, Ghana, Kenya, Malawi, Sierra Leone, and Zambia), will be further strengthened. Work will also be taken forward to open the three remaining offices of the twenty five envisaged, in Angola, Algeria and Sudan. The expanded network of field offices will be strengthened further, including staffing up to budgeted levels, with a more diversified set of skills, and full integration into or, wherever possible, leadership of Country Teams, and greater delegated responsibilities.

Quality Assurance and Portfolio Clean Up

4.3 **Quality-at-entry and Quality-at-Supervision**– As a follow-up of the Quality-at-entry exercise recently completed, the Bank will continue to perform quality assessment of its

³ Field offices have been opened in Egypt, Ethiopia, Gabon, Nigeria, Mozambique, Senegal, Tanzania, Uganda, Tunisia, Madagascar, Mali, Morocco, Rwanda and Burkina Faso

portfolio and to disseminate cases of best practice among its professional staff in the Operations complexes. To this end, Management will launch a number of operational tools aimed at strengthening the Bank's quality assurance and compliance function. These will include a quality-at-supervision format and a new appraisal checklist. Work is already under way for strengthening the Bank's operational review process while action has been taken for increasing the size of operations, particularly under the ADF and streamlining the financing conditionality. In order to better mainstream the new operational policy and strategic orientations adopted by the Bank Group, work has been started for the revision of the Bank Group's Operations Manual, which is expected to be completed in 2007. In addition to the sessions held in 2005 and 2006, the Bank will organize a training session on the preparation of Results-based log frame during the first semester of 2007. An important aspect of quality at entry, will also be the enforcement of Bank environmental and social assessment procedures to ensure that they are consistently and fully applied and succeed to mainstream environment, as well as gender, CSO and participation and population issues in all Bank country and project operations so as to achieve maximum effectiveness and sustainability of Bank's interventions as well as demonstrable results on the ground.

4.4 For the private sector and non-sovereign investment operations, in 2007 the Bank will substantially upgrade its project appraisal and risk analysis capabilities to provide integrated analysis of each project's financial, economic and stakeholder impacts at entry. The portfolio management team will adopt a "risk-based" approach to supervision scheduling and will seek additional efficiencies by assisting the origination teams with appraisal field work for repeat clients. Within the portfolio management division a specialized workout team will be formed to provide intensive attention to projects experiencing difficulties with a view to simultaneously securing the Bank's assets and assisting distressed companies to implement turn-around solutions.

4.5 **Improvement of Business Processes** – The entry into force of the new Operations Complexes organization has necessitated comprehensively revised set of business processes aimed at reinforcing the institutional changes, strip away internal inefficiencies and obstacles, and reduce transactions costs throughout the operations processing cycle. The major objectives pursued through this exercise are to firm up: the composition and activities of the Country Teams, so as to improve their efficiency and thus enable them deliver high quality country programming; the roles of the lead experts and peer reviewers; and to improve significantly both the efficiency and effectiveness of upstream programming and quality assurance. Our review and improvement process will continue in 2007 with focus on simplifying and streamlining Bank Group's operational processes. Particular attention will be also paid to the following additional tasks: (i) review of key report formats including for the appraisal and country portfolio reports; (ii) actions to streamline and improve the effectiveness of fiduciary oversight as well as the procurement and disbursement processes; (iii) revision of the Operations Manual; and (iv) definition of the role of the newly established Operations Coordinating Committee (OCC), which is expected to significantly improve performance, by reducing current excessive processing delays and raising accountability for client responsiveness and service delivery. Furthermore, Management will be proposing a major redesign of the Procurement Unit, to be presented later this year, and which is expected to significantly improve performance, reduce current excessive processing delays and raise accountability for client responsiveness and service delivery. For the Bank's non-sovereign and private sector operations, a major overhaul of all business processes started in 2006 will be completed in 2007 with the expectation that transaction processing productivity will be

increased by at least 50% and client responsiveness will be dramatically improved. By the end of 2007, all transaction processing activities will be fully implemented through the SAP system with the objective of achieving “straight-through” processing.

4.6 Portfolio Clean-up –The findings of the 2004 Annual Portfolio Performance Review (APPR), as well as Management’s own intensive examination of the current portfolio make clear the need for more active, effective and systematic portfolio management. In particular, there is a need for significant one-time portfolio clean-up, followed by intensified follow-up and portfolio management. The objectives of this exercise are to: (i) cancel non-performing operations; (ii) recover residual funds from projects that are essentially completed; (iii) eliminate commitment fee obligations that still exist for residual balances; (iv) ensure complete and fully up-to-date information/data on on-going operations in the SAP system. This portfolio clean-up process will continue during the year 2007, taking into account the findings of the 2005 APPR exercise. For the Bank’s private sector and non-sovereign operations, the target weighted average risk rating of the outstanding portfolio will be maintained at 3-4 (moderate risk) with the share of the portfolio rated as very high risk (7-10) less than 5%. In addition to vigilant monitoring of new projects entering the portfolio, active supervision and portfolio management will be required to prevent systematic downgrading of the risk ratings of projects already in the portfolio.

4.7 Action Plan to Improve Implementation of the Bank Group’s operations – During the upcoming year, the Bank will continue to implement the three-year Action Plan⁴, to improve the Implementation of ADF Operations, which was endorsed by the Deputies during the ADF-X negotiations. The implementation of this plan is expected to impact on the Bank Group’s global portfolio and give a boost to improved portfolio management and development effectiveness of Bank operations. Action is being taken to enforce specific measures, at institutional, donor and country level, on key aspects of the project cycle, and on the harmonization of policies and procedures. The Bank Group is also progressively introducing operational tools aimed at completing its transformation into a fully fledged results-based institution. Progress achieved in the implementation of the Plan is assessed on a regular basis⁵. Based on the findings of the progress assessment exercise to date, the implementation of the Action Plan has not been satisfactory and requires enhanced efforts for strengthening the capacity and responsiveness of the Bank Group. The on-going institutional reforms will, among other things, lead to significantly enhanced staff capacity by filling long-standing vacancies and completing the broader redeployment of Bank staff into front-line Operations positions. These developments should lead to successful implementation of the Action Plan.

4.8 The Bank Group will continue to improve implementation of its current operations, through enhanced supervision. The portfolio management work program will include, in 2007, about 569 field supervision and mid-term review missions. The Bank is committed to deliver a supervision rate of 1.5 per year and per project and will increase this rate to at least 2 for more complex or potentially problematic projects. In addition, some 15 Country Portfolio Reviews (CPRs) will be undertaken during the year (see Annex VII). Based on earlier portfolio performance reviews, the Bank Group will launch 12 country portfolio improvement

⁴ Refer to the document entitled “action Plan for Improving the Implementation of ADF operations” and to the ADF-X mid-term review report on this plan

⁵ See also the progress reports on the ADF Action Plan

plan missions (see Annex VIII). The Bank Group will clear the backlog of 95 Project Completion Reports (PCRs) currently overdue, during the course of 2007.

Economic and Sector Work

4.9 Sector reviews and economic studies are being more and more used by the Bank Group's Operations Complexes to strengthen their knowledge of development needs at country and sub-regional levels, as well as design more responsive assistance programs. In particular, ESW has been providing a solid basis for the design of Bank Country Strategy Papers and governance support programs. Similarly, the gender and country private sector profiles have been used to improve the focus of Bank Group's operations, through improved mainstreaming of gender and private sector development issues in investment and reform projects and programs. During 2007, the Bank will allocate resources to and undertake ESW, including joint studies in collaboration with other institutions in order to strengthen its knowledge of the economies and the investment environment in its RMCs and to better articulate its assistance while providing the foundation for policy dialogue. In so doing, the Bank will seek to avoid duplication of efforts among development partners and will share ESW reports and findings with the other institutions intervening in Africa such as the World Bank.

4.10 It is planned that 98 new ESW reports will be initiated in 2007 (see Annex IV), in addition to the on-going ones expected to be carried from the 2006 work program. These new reviews and sector studies will include about 8 governance and 10 country private sector profiles. The ESW work program will also cover the areas of country-region global link, public sector administrative reforms, health expenditure, poverty and social exclusion, land reform and capacity building. Particular emphasis will be put on sector review including in agriculture, transport and water. In addition to the above sector studies, the Bank Group has planned to undertake about 44 identification missions covering some 26 RMCs (see Annex IX). These identification missions will be mainly concentrated in the priority areas of infrastructure (transport, power, ICT, water resources management), social and multi-sector. Some of these identification missions will be led by the private sector.

4.11 The Bank Group will put particular emphasis on key multinational studies linked to implementation of the NEPAD Infrastructure component. These include: the NEPAD Medium to Long Term Strategic Framework (MLTSF); the review of the NEPAD STAP; and, studies on the development of Inga hydropower, implementation of the Yamoussoukro Decision, facilitation of transit transport systems, and harmonization of ICT policies. In the area of private sector development, in addition to country private sector profiles, the Bank will initiate studies on niches with high potential for private investment, including remittances, growth oriented entrepreneurship and SMEs.

4.12 In the field of governance, the Bank Group will undertake Country Governance Profiles (CGPs) to inform and guide its operations in 8 RMCs including Morocco, Namibia, Ghana, Burundi and Niger. The CGPs will also serve as basis for dialogue with these RMCs on governance issues and to prepare them for participation in the African Peer Review Mechanism (APRM). Consistent with the mandate given to it by the NEPAD Head of States Implementation Committee, the Bank Group will continue to serve as a lead strategic partner

in the APRM Country Reviews. In 2007, Country Reviews are planned to be carried out in some 5 countries, expected to complete their self-assessment. These include Nigeria, Mauritius, Uganda, Mozambique and Burkina Faso. In order to assist RMCs affected by conflicts to better manage their transition, the Bank will carry out studies on post conflict transition in countries such as Sudan and DRC. In addition, the Bank Group will enhance, in partnership with the World Bank, its participation in the preparation of Country Financial Accountability Assessments (CFAAs), Public Expenditure Reviews (PERs) and CPARs in order to deepen its knowledge of financial accountability arrangements, help assess risks to the use of Bank funds, and support the design and implementation of capacity building programs. Such joint assessments are planned in countries such as Burkina Faso and Senegal.

Country Strategies and Dialogue

4.13 Involvement in PRSPs – Most of the ADF countries have recently prepared or are currently preparing second generation Poverty Reduction Strategy Papers (PRSPs). In 2007, the Bank Group will continue to be involved in the PRSP process in member countries, mainly through dialogue with countries, review of the draft PRS documents, including World Bank and IMF PRSP joint assessment notes as well as budget frameworks. The Bank Group will participate in the follow up, review and discussion of PRSP documents in at least 4 countries including CAR, Equatorial Guinea, Cameroon and Chad. It will also participate in donor round tables aimed at identifying budget support operations. Bank Group's support to PRSPs puts particular emphasis on the improvement of the quality of policy content of the strategy documents, the strengthening of public expenditure management systems, the promotion of broader and more effective participatory process, and the development and implementation of monitoring and evaluation systems.

4.14 Preparation of CSPs - Given that most of the new CSPs for ADF countries cover a period of 5 years, the ADF work program of CSP will, therefore, be lighter in the upcoming year, with a main focus on the update and/or mid-term review of the current ones. It is expected that the preparation of about 8 additional new CSPs will be initiated in 2007 (see list in Annex V) including full strategy papers for Lesotho (2008-2010) and Namibia (2007-2011), and an interim document for Liberia. Within the framework of the Harmonization, Alignment and Managing for Results agenda, the Bank Group will participate in the preparation of Joint Assistance Strategies (JAS) initiated for countries such as Mali, Senegal, Sierra Leone, Burkina Faso and Ghana. All CSPs, including the ones prepared for Middle Income Countries, will continue to be results-oriented and anchored on the poverty reduction strategies of member countries or the pillars of their national development plans. The Bank will also undertake the preparation or update of regional assistance strategies for some Regional Economic Communities including the East African Community (EAC), the Arab Maghreb Union (UMA), the Common Market of Eastern and Southern Africa (COMESA) and the Economic Community of Central African States (ECCAS).

4.15 Dialogue with RMCs – Maintaining a candid and continuous dialogue with Regional Member Countries is essential to identify critical needs and mutual priorities, ensure that difficult issues are addressed quickly and effectively, and provide a reliable conduit a productive two-way exchange. It also helps to fine tune Bank Group's financing strategies and instruments to meet countries' needs. For 2007, the Bank Group has planned to undertake specific dialogue missions in not less than 19 countries and 1 Regional Economic Community

(see list in Annex VI). As indicated in the Annex, in addition to the traditional dialogue on arrears and the PRSP process, the main areas of concentration of the planned dialogue missions will include, among others, consultations on the Country Strategy Papers, the Country Governance Profiles (CGPs), the Country Private Sector Profiles (CPSPs). Extensive dialogue will also continue on the implementation Bank Group's new assistance strategy for Middle Income Countries.

Development of Policies and Related Business Processes

4.16 To enhance the strategic orientations of the Bank Group will require the preparation of new policies and the development of new business processes and procedures for the Institution. The Bank Group initiated, in 2006, the preparation of key policy papers including on: (i) its assistance to Fragile States; (ii) the Development of Higher Education, Science and Technology; (iii) its assistance to Middle Income Countries. It also developed policy frameworks on ICT and Clean Energy Investment. These policies and strategy papers are almost complete and will be delivered in 2007. In addition the Bank Group had also initiated the preparation of Business Processes (BPs) aimed at enhancing the effectiveness of its operations. These also include BPs for Fragile States and Middle Income Countries. Other policy and procedures papers, which formed the work program for policy, strategy and guidelines development in 2006, are also presented in Annex III.

4.17 The Bank Group will also undertake the preparation of new policies in 2007, including: (i) a new Medium-Term Strategy to be effective from 2008 onwards; (ii) a policy framework on the Definition of Bank Group's Areas Comparative Advantages; (iii) the Infrastructure Development Strategy, (iv), the Energy Policy and Strategy on Renewable Energy; and (v) the Policy on Land Tenure for which a framework and guidelines will be prepared in collaboration with the Economic Commission for Africa and the African Union. Annex III also lists a number of additional policies and procedures papers planned for consideration during the year. Management will continue to prepare, along with the policy development activities, implementation plans, for the existing policies in line with the recommendations of the ADF Independent Evaluation, including a logical matrix framework spelling out goals, objectives, and indicators to monitor implementation progress. Special effort will be made during 2007, towards the dissemination of the new policies and guidelines to staff, RMCs and stakeholders, to ensure that they are fully mainstreamed in the preparation and implementation of Bank-funded operations, in a bid to improve their quality and development effectiveness.

Developing Private Sector Operations

4.18 – As reflected in the ESW work program, identifying opportunities for boosting private sector development interventions will be a major area of focus for the Bank Group during 2007. The Bank will continue to concentrate its efforts on deepening its action dedicated to developing an environment conducive to enhanced private sector investment. To this end, the Bank Group public and private sectors will more closely collaborate to support sector reform programs aimed at improving investment environment and governance at country level. Within the framework of the ESW work program, in addition to the preparation of several private sector country profiles (see Annex IV) and 3 private sector assessment

report, the Bank will undertake studies on Small and Medium Enterprises (SMEs), economic diversification, remittances, enterprise creation, growth oriented entrepreneurship and women in business as well as on industry, mining and agribusiness opportunities. The Bank Group's public and private sectors will benefit from these ESWs and from recently completed studies including on labour market in Swaziland, economic diversification in Botswana and capital market integration in SADC. It is expected that the Enhanced Private Sector Assistance for Africa initiative (EPSA), will be fully implemented in 2007. Using Japan as the lead example, the Bank will actively solicit support from other donors to contribute to the EPSA framework either in the form of grants to the Fund for African Private Sector Assistance (FAPA) or through co-financing arrangements similar to the mechanism established with the Japan Bank for International Cooperation (JBIC).

Harmonization, Alignment and Managing for Results

4.19 Intensified, but also appropriately selective, partnership with other development organizations is critical for effective operational coordination and service delivery at country level. The Bank Group has been extensively consulting with existing multilateral and bilateral partners to update and streamline existing cooperation frameworks and to identify more specifically those areas of cooperation that offer greater promise and mutual value. Following approval by the Boards of Directors of the Proposal for Reform of its Technical Cooperation Funds, work has already started for implementing the three-year Action Plan, which has been prepared to this end. This reform will help, among other things, to promote multi-donor funds that facilitate involvement in programmatic approaches and to untie bilateral technical funds, in line with the Paris Declaration on Aid Effectiveness.

4.20 In line with its commitment to the Paris Declaration, the Bank Group will continue, in 2007, its collaborative activities with its development partners, including the MDBs and the OECD/DAC, within the framework of the Harmonization, Alignment and Managing for results (HA & MfR) agenda. In particular, the Bank Group will continue to participate in the MDBs technical working group, on financial management, procurement, environment, evaluation, governance, anticorruption and capacity building. The Bank will continue to contribute to the annual report on the MDBs-spearheaded `Common Performance Assessment System (COMPAS) and participate in the round tables on Managing for Development Results (MfDR) organized by the MDB Joint venture. As much as possible, the Bank Group will continue its participation in Joint Assistance Strategies (JAS), SWAps and budgetary support programs. Efforts will be made to enhance collaboration with donors within the framework of countries' PRSPs. The Bank Group will continue to undertake in collaboration with the IMF and the World Bank joint review mission within the framework of the Post-conflict and the Poverty Reduction and Growth Facility (PRGF). Country teams will be collaborating with the World Bank to prepare selected Public Expenditure Reviews (PERs), Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment Reports (CPAR). Similarly the Bank Group will also undertake joint studies with other donors including the European Union (EU).

4.21 Partnership with the UN specialized agencies, including UNESCO, UNICEF, UNFPA, WFP, FAO, UNDP, UH-HABITAT, etc., will continue through joint activities, mainly centred on policy preparation and collaboration for the identification and preparation of operations in RMCs. As in the past several years, the Bank Group will continue to coordinate

its assistance to RMCs, with donors, by participating in donor conferences and establishing and/or signing partnership agreements with institutions such as the World Bank. The Bank Group will also continue to mobilize external resources for RMCs through co-financing schemes.

4.22 Finally, it is clear that the growing range and capacity of new development actors in Africa, such as special purpose vertical funds, philanthropic organizations, and even private sector entities offers the Bank with opportunities for productive partnerships. These will be explored as a matter of priority at both the institutional and thematic level and at the country level.

Participation in African Development Initiatives

4.23 As a major player in the delivery of development assistance in Africa, the Bank Group has been requested to play a key role, along with partners such as the World Bank and the Specialized UN Agencies, in the implementation of some major African development initiatives, of which the most prominent are the New Partnership for Africa's Development, the Rural Water Supply and Sanitation Initiative and the African Water Vision. In the case of NEPAD, in addition to providing financing for projects within the framework of the NEPAD Short Term Action Plan (STAP), the Bank Group will particularly focus on the preparation of the Medium to Long Term Strategic Framework (MLTSF) for infrastructure development in Africa aimed at catalyzing the implementation of STAP, and which has recently been launched. It will also continue to provide support to the NEPAD Secretariat in the implementation of the African Peer Review Mechanism (APRM) work program.

4.24 The Bank Group will take action for the mobilization of resources for the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), which has recently been evolved into a multi-donor fund. The recent establishment of the UK-spearheaded Infrastructure Consortium for Africa (ICA) is expected to help the Bank Group provide a more efficient support to the implementation of NEPAD STAP, through advocacy and effective mobilization of resources. The creation, within the framework of the new organizational structure of a full fledge department in charge of NEPAD, Trade and Regional Integration will also contribute to making the Bank Group a more responsive partner for the implementation of NEPAD and other African regional integration initiatives.

4.25 In addition to providing project and program financing, the Bank Group will continue to collaborate with partners for accelerating the pace of implementation of its RWSS initiative. The Bank Group will put particular emphasis on the mobilization of resources for RWSSI, including during the upcoming negotiations for the Eleventh Replenishment of the ADF (ADF-XI). It should be recalled that, as a result of the ADF-X Replenishment negotiations, the Fund had agreed to provide up to 30% of the financing requirement of the RWSSI.

5. CHALLENGES, CONSTRAINTS AND RISKS

Key Transformation Challenges

5.1 The Operational Program for 2007 is the first such program developed under the Bank's new Senior Management Team, and in the context of the major reorganization of the Operational units. Its chief objectives are to: achieve greater selectivity, relevance, and impact in all of the Bank's operational work; articulate specific deliverables more clearly; increase accountability for their delivery across the organization, and achieve that delivery with higher quality, speed and efficiency; and, fully implement existing commitments across the range of operational activities. The institutional challenges to succeeding with this program are large and deep. However, the Bank Group is taking appropriate mitigation measures to reduce the risks linked to them. Significant steps have been taken to confront those challenges, and key elements of a stronger institutional foundation have been laid. But embedding reform more deeply throughout the organization, and building sustained forward momentum, remains works in progress. Intensified efforts will be required by Management, together with staff and all shareholders, to press ahead with this work, and to implement critical additional institutional changes. More specifically, the Bank will need to successfully deliver on the following:

5.2 ***Establishment of efficient operations delivery mechanisms underpinned by strong country teams*** – In the new Operations Institutional set up, Country teams will bear primary responsibility for delivering high-quality, timely and strategically selective programs and services. Effective communication, coordination and cooperation between the newly-created Regional and Sector Departments is essential and requires fully engaged and accountable internal management and leadership, at all levels. Work is currently under progress for strengthening the operations coordinating mechanism, which is expected to be fully functional during 2007.

5.3 ***Operating a greater selectivity in programming Bank Group's development assistance*** - Programmatic selectivity in support of agreed country strategic priorities must be further sharpened and deepened, under the leadership of Country Department-led Teams, which should be fully accountable for program and service delivery.

5.4 ***Alignment of Budget with Country assistance strategies*** - Internal budgeting and work program development processes must be significantly modified to ensure that specific activities and the resources needed to support them are fully aligned with priorities set out in country strategies, and to ensure that meaningful (and accountable) decision-making can take place at the level at which it belongs. This also calls for additional efforts for aligning budget with deliverables and results.

5.5 ***Successful Implementation of the Human Resource Development Plan*** - A wide range of Human Resource issues must be addressed as a matter of priority: recruitment of a large number of new staff, including for management positions throughout the organization; modification of performance assessment practices and instruments for staff separations; comprehensive review of compensation and benefits to improve internal equity and external competitiveness. Management has started implementing the institutional reforms in respect of strengthening staffing in the Operations Complexes, through recruitment and redeployment of personnel and improvement of the skill mix. However, the recruitment of Directors and

Managers for vacant positions in the Operations Complexes is still yet to be completed while the identification of the required additional task managers may take place only during the course of 2007. This may negatively affect the rhythm of processing of the 2007 work program during the first half of the year. Management has, however, started taking action by redeploying the existing personnel as well as using lateral transfer from other complexes to strengthen the Operations Staff skill mix. The recruitment process is also being accelerated for filling the managerial positions and appointing additional task managers. In addition, a new distribution of the operation portfolio has been initiated with the objective of bringing more balance in the work load of task managers.

5.6 None of these issues can be addressed easily; but all are vital to institutional renewal, reinvigoration, and relevance. The year 2007 will be pivotal. Management is determined to deliver the improvements and results that it has promised and that the African people deserve.

Other Constraints and Risks Factors

5.7 ***Non Predictability of resources available under the ADF*** – Due to the application, on a yearly basis, of the Enhanced Performance-based Allocation system and the Debt Sustainability Framework analysis, the amount and nature of ADF resources available to countries may change and, therefore, result into cancellation of operations or modification of the mode of financing (loan or grant). During the preparation of the current 2007 work program, a number of operations proposed for processing had to be withdrawn from the portfolios of countries with reduced allocation, while the portfolio could be considered for increase for a few RMCs newly eligible for higher allocations. Should the Bank Group undertake a third ADF-X allocation exercise, this could result in unexpected changes in the availability of resources, which would need to be reflected, during the course of the year, in the processing of the 2007 Indicative Financing work program. The application of the DSF analysis and enhanced PBA system, therefore, aggravates the difficulty of planning ADF-funded interventions at country level and thus prevent the Bank Group from meeting one of the main requirements of the Paris declaration, which is to promote predictability of aid flows. The Bank Group will, therefore, seek to address within the framework of the ADF-X Mid-term review process, the issue of ADF allocations to avoid further negative impact on the 2007 Operational Work Program.

5.8 ***Countries in conflict and /or in arrears*** – In 2007, a few countries may still be in a situation of conflict or chronic arrears and, consequently, will not benefit from a normal processing of operations identified for them by the Bank Group. In the case of ADF countries in arrears, they may access only partially their allocations, which themselves are generally rather small. This will result into a reduced capacity of interventions by the Fund in these countries. The Bank Group will enhance its dialogue with these countries, while promoting technical assistance activities aimed at either strengthening their institutional capacity or at preparing operations to be considered for financing in the nearer future, pending the return of the countries' situation to normalcy. Furthermore, the Bank Group is working at transforming the Post-conflict Country Facility (PCCF) into a Trust Fund with a broader scope for improving its assistance to Fragile Countries, whose financing needs are at par with resources made available to them through the ADF enhanced performance allocation system.

5.9 ***Pipeline of projects*** – Despite efforts made in the past several years, the Bank Group's pipeline of projects is still not up to the expected standards, particularly for the ADB public

sector window. The direct consequence is that the lending objective under the ADB public sector window has been stagnating for the past several years. This is further exacerbated by the fact that most projects in the pipeline are at an early stage of readiness and cannot, therefore, be appraised immediately, hence leading to slippages in the processing of the operational work program. Although a number of innovations had already been brought to Bank Group's financing products under the ADB window, including the application of more affordable interest rates and the provision of technical assistance grants through the Middle Income Countries TA facility, further effort is still required to improve Bank Group's business in MICs. The Bank Group is in the process of preparing its strategy for Middle Income Countries. This process offers a forum for enhanced dialogue with these countries, with a view to engineer more responsive solutions for their assistance needs and strengthen the competitiveness of Bank Group's non concessionary window. The Bank Group will intensify its dialogue with the MICs for finalizing its strategy for Middle Income Countries in order to better respond to their development assistance needs. Also, in a continuous effort to build the Bank Group's pipeline of projects, a number of general and sector identification missions covering both ADB and ADF countries have been included in the work program of non-financing activities, along with the ESW studies. For the Bank's private sector and non-sovereign operations, the robust pipeline of projects may not translate into bankable opportunities if the Bank is unable to achieve the required productivity and response time improvements.

5.10 Budgetary constraints vs. implementation of ESW and Supervision work programs – The scope of Bank Group's Economic and Sector Work had to be reduced in 2006, due to the lack of budgetary resources for recruiting consultants and fielding the missions necessary for undertaking the studies. This has resulted in the postponing, from the past indicative operational work programs, of many ESW aimed at informing the Bank Group's country strategies and identifying new interventions. Similarly, the lack of sufficient resources may prevent the Operations Complexes from carrying out the extensive supervision work program that is required to ensure an improved portfolio management. It will be therefore necessary to allocate adequate budgetary resources to ESW, which have been recognized as essential for orienting Bank Group's policies, strategies and operations, as well as to the other portfolio management activities. This also raises the issue of mobilization of grants, particularly from bilateral sources, for financing ESW. In order to address this issue, the planning of resources for the implementation of the 2007 Operational work program will be done through an activity-based budgeting process linking activities to resources allocated from the Bank Group's administrative budget or from bilateral trust funds, as appropriate. Within this context, efforts will be made to make financial provisions for the ESW work program in the 2007 budget to ensure their processing during the year

5.11 Eligibility of expenditures – The issue of borrower's capacity to mobilize counterpart funds is impeding the smooth implementation of some operations financed under ADF. While a number of donors are opting for abolishing counterpart funding from their interventions, the Bank Group needs to review its position on the eligibility of expenditures within the context of its efforts for improving the development effectiveness of its operations. To this end, work has been initiated to prepare guidelines that will define the criteria the Institution intends to use for sharing project costs with RMCs, including counterpart funds, Value Added Taxes (VATs), recurrent costs, etc..

6. CONCLUSIONS

6.1 The 2007 Operational Program was drawn by taking into account the demand emanating from RMCs, regional institutions and private borrowers as well as the availability of resources, particularly under the African Development Fund and the outcome of the ADF-X second resource allocation exercise. It takes into account the lessons learned from past operations, as indicated in the recent evaluations of Bank Group interventions, and recommendations made by the different Task Forces set up by Management to address the major operational issues and constraints. Particular focus will be on improving the management and performance of the Bank Group operational portfolio. The 2007 Indicative Operational Program will be processed under an environment of increased staffing and streamlined business processes, aimed at facilitating delivery upon core institutional commitments and strategic objectives.

6.2 The proposed 2007 Indicative Work Program amounts to about UA 2,684.6 million, of which 56.5 % will go to the priority area of infrastructure development with the largest share (25.2%) being allocated to the transport sector, mainly on account of major national and multinational road projects. Power supply operations are expected to account for 17.7%, while some 12.4% will be allocated to the sector of water supply and sanitation mainly for contributing to the implementation of the Rural Water Supply and Sanitation Initiative (RWSSI). Multi-sector operations, mainly supported by the ADF window, and Agriculture and Rural Development will get 11.6% and 10.5%, respectively. Additionally 12.5% will go to the finance sector, mainly in the form of lines of credit to financial intermediaries. The balance will be allocated to the sectors of Industry, Mining and Quarrying, Social, and Communications, for which a few projects have been identified. Consequently, the Bank Group will concentrate its assistance in the development of infrastructure networks, which constitute powerful engines of growth and are critical for providing populations with easy access to socio-economic facilities.

6.3 Given the specific nature of the ADB public window, its work program reflects the priorities defined by the borrowing countries or private operators in their national development plans and/or their current demand, while the ADF work program, though also demand-driven, is characterized by a close alignment with the operational priorities defined by the ADF Financing Policy Guidelines. The Private Sector work program has been scaled up and diversified, and reflects broad-based growth in demand for financing without a sovereign guarantee. The 2007 Work Program puts particular emphasis on pursuing the overarching objective of poverty reduction and broad-based economic growth, through interventions aimed at assisting RMCs in their efforts to achieve the Millennium Development Goals (MDGs) and build an investment enabling environment.

6.4 As in the past, some projects will be dropped from the program and others will be added in the course of the year in light of changing circumstances and priorities of RMCs as well as agreements reached within the framework of the forthcoming ADF Replenishment.

6.5 The success in the implementation of the 2007 IOP largely depends on the availability of adequate budgetary resources for achieving both the processing of new operations and the improved management of the existing portfolio

6.6 The Boards are requested to approve the 2007 Strategic Direction and Indicative Operational Program.

7. ANNEXES

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ANNEX I - THE BANK GROUP 2007 INDICATIVE OPERATIONAL PROGRAMME - LIST OF OPERATIONS

(Amounts in UA million, otherwise specified)

N°	COUNTRY	PROJECT	Vice Presidency	Regional Department	Department	Division	Sector	Financing Instrument1	Financing Instrument2	ADB	ADF Loans	ADF Grants	TOTAL
1	Angola	Water Supply and Sanitation Program	OIVP	ORSB	OWAS	OWAS.2	EZ	LPL			12.00		12.00
2	Angola	Institutional Support Project	OSVP	ORSB	OSGE	OSGE.1	KZ		GGI			5.10	5.10
3	Burkina Faso	RWSSI - Programme AEPA	OIVP	ORWA	OWAS	OWAS.1	EZ	LPL			25.00		25.00
4	Burundi	Electricity Rehabilitation	OIVP	OREA	OINF	OINF.3	FA		GPL			7.30	7.30
5	Cape Verde	Santiago Island Reinforcement of Power	OIVP	ORWB	OINF	OINF.3	FA	LPL			6.00		6.00
6	CAR	Programme d'appui aux réformes économiques	OSVP	ORCE	OSGE	OSGE.2	KA		GSL			6.20	6.20
7	Comoros	Institutional Support Project Grant	OSVP	OREB	OSGE	OSGE.1	KZ		GGI			1.00	1.00
8	Congo	Agricultural Sector Study	OSVP	ORCE	OSAN	OSAN.2	AAZ		GGI			1.50	1.50
9	Côte d'Ivoire	Post-Conflict Program	OSVP	ORWA	OSHD	OSHD.2	IC		GPL			18.70	18.70
10	Djibouti	Projet d'assainissement de la ville de Djibouti	OIVP	OREB	OWAS	OWAS.2	EA		GPL			7.10	7.10
11	DRC	Water Supply for Urban/Semi-urban Centers and Institutional Support to RWSS	OIVP	ORCE	OWAS	OWAS.1	EAZ		GPL			70.00	70.00
12	DRC	Economic Recovery and Poverty Reduction	OSVP	ORCE	OSGE	OSGE.2	KA		GSL			63.00	63.00
13	Egypt	Social Community Development Project	OSVP	ORNA	OSHD	OSHD.2	IZ	LPL		40.00			40.00

14	Equatorial Guinea	Programme multisectoriel de renforcement des capacités	OSVP	ORCE	OSGE	OSGE.1	KZ	LGI		15.00			15.00
15	Eritrea	Community Development Project	OSVP	OREB	OSAN	OSAN.2	AA		GPL			21.20	21.20
16	Gabon	Appui aux réformes IV	OSVP	ORCE	OSGE	OSGE.2	KA	LSL		42.00			42.00
17	The Gambia	Institutional Support Project	OSVP	ORWB	OSGE	OSGE.2	KZ		GGI			1.30	1.30
18	The Gambia	Port Study	OIVP	ORWB	OINF	OINF.1	DZ		GGG			0.80	0.80
19	Ghana	Energy Project	OIVP	ORWA	OINF	OINF	FZ	LPL			20.00		20.00
20	Guinea	Power study	OIVP	ORWB	OINF	OINF.3	FA		GGG			1.00	1.00
21	Guinea Bissau	Public Administration reform	OSVP	ORWB	OSGE	OSGE.2	KA		GSL			1.26	1.26
22	Kenya	Road Transport Project	OIVP	OREA	OINF	OINF.2	DB	LPL			76.80		76.80
23	Kenya	Financial Sector Reform Project	OSVP	OREA	OSGE	OSGE.2	HAZ	LPL			40.00		40.00
24	Kenya	Water Supply Project (WSP)	OIVP	OREA	OWAS	OWAS.2	EZ	LPL			40.00		40.00
25	Liberia	Youth Employment Creation Project	OSVP	ORWB	OSHD	OSHD.2	IC		GPL			6.31	6.31
26	Madagascar	Projet De Developpement Rural Integre De Manombo	OSVP	ORSB	OSAN	OSAN.2	AB	LPL			7.00		7.00
27	Malawi	Institutional Suport project	OSVP	ORSB	OSGE	OSGE.2	KZ	LGI			5.00		5.00
28	Malawi	Support to Local Area and Economic Development	OIVP	ORSB	OINF	OINF.2	KA	LSL			10.00		10.00
29	Mali	Projet- Elevage Kayes Sud III	OSVP	ORWB	OSAN	OSAN.2	AAE	LPL			10.00		10.00
30	Mali	Appui à la décentralisation	OSVP	ORWB	OSGE	OSGE.1	KA		GGI			5.30	5.30

31	Mali	RWSSI - Programme AEPA Phase II	OIVP	ORWB	OWAS	OWAS.1	EA	LPL			27.00		27.00
32	Mauritius	Reform Support Loan	OSVP	ORSB	OSGE	OSGE.2	KA	LSL		10.00			10.00
33	Mauritius	Plaines Wilhems Sewerage Project	OIVP	OR0SB	OWAS	OWAS.2	EA	LPL		35.00			35.00
34	Mauritius	Urban Transport Project	OIVP	ORSB	OINF	OINF.2	DB	LPL		10.00			10.00
35	Morocco	Autoroute Fes - Oujda	OIVP	ORNB	OINF	OINF.2	DB	LPL		100.00			100.00
36	Morocco	Programme National de Routes Rurales (PNRR)	OIVP	ORNB	OINF	OINF.2	DF	LPL		25.00			25.00
37	Morocco	Thermo-solar Plant (Supplementary Loan)	OIVP	ORNB	OINF	OINF.3	FA	LPL		100.00			100.00
38	Morocco	Administrative Reform	OSVP	ORNB	OSGE	ORNB	KA	LSL		70.00			70.00
39	Mozambique	Massingir Dam Supplementary Loan	OSVP	ORSB	OSAN	OSAN.2	AA	LPL			16.00		16.00
40	Mozambique	Rural Water Supply and Sanitation Program	OIVP	ORSB	OWAS	OWAS.1	EA	LPL			25.00		25.00
41	Namibia	Brukkaros Green Scheme Project	OSVP	ORSA	OSAN	OSAN.2	AA	LPL		30.00			30.00
42	Niger	AEP	OIVP	ORWA	OWAS	OWAS	EA		GPL			14.00	14.00
43	Nigeria	RWSSI	OIVP	ORWA	OWAS	OWAS.1	EZ	LPL			51.00		51.00
44	Nigeria	Rural Access Mobility Project	OIVP	ORWA	OINF	OINF.2	DF	LPL			35.40		35.40
45	Rwanda	Programme d'Appui à la Stratégie de Réduction de la Pauvreté (PASRP-II)	OSVP	OREA	OSGE	OSGE.2	KA		GSL			33.00	33.00
46	Senegal	PAASP II	OSVP	ORWB	OSGE	OSGE.2	KA	LSL			30.00		30.00
47	Swaziland	Urban Water Supply and Sanitation Project	OIVP	ORSA	OWAS	OWAS.2	EA	LPL		25.00			25.00

48	Tanzania	Singida-Mbabati-Mijingu Road Project	OIVP	OREA	OINF	OINF.2	DB	LPL			50.00		50.00
49	Tanzania	Rural Electrification	OIVP	OREA	OINF	OINF.3	FZ	LPL			30.00		30.00
50	Tanzania	Rural Infrastructure for Food Security Enhancement	OSVP	OREA	OSAN	OSAN.1	AAA	LPL			40.00		40.00
51	Tanzania	Support to ESDP - Education Secondary Development Program (SWAP)	OSVP	OREA	OSHD	OSHD.2	IA	LSI			40.00		40.00
52	Togo	Social Infrastructure Rehabilitation Project	OSVP	ORWA	OSHD	OSHD.2	IZ		GPL			9.30	9.30
53	Tunisia	Electricity Project	OIVP	ORNA	OINF	OINF.3	FA	LPL		100.00			100.00
54	Tunisia	Programme routier 11éme plan	OIVP	ORNA	OINF	OINF.2	DB	LPL		150.00			150.00
55	Tunisia	PISEAU II	OSVP	ORNA	OSAN	OSAN.1	AAA	LPL		100.00			100.00
56	Uganda	Road Sector Support Project 2	OIVP	OREA	OINF	OINF.2	DB	LPL			37.00		37.00
57	Uganda	Bujagari Transmission Lines Project	OIVP	OREA	OINF	OINF.3	FA	LPL			30.00		30.00
58	Zambia	Agriculture Production and Marketing Project	OSVP	ORSB	OSAN	OSAN.1	AAA	LPL			35.00		35.00
59	Zimbabwe	Transport Sector Study	OIVP	ORSA	OINF	OINF.2	DB	LGS			2.00		2.00
60	Zimbabwe	Power Study	OIVP	ORSA	OINF	OINF.3	FA	LGS			2.00		2.00
61	Zimbabwe	RWSSI Study	OIVP	ORSA	OWAS	OWAS.1	EZ	LGS			2.00		2.00
62	ZMultinational	Cameroun-Tchad-RCA:Transport facilitation Program on the Douala - Bangui - Ndjamenia Corridor	OIVP	ORCE	OINF	OINF.1	DZ		GPL			90.00	90.00
63	ZMultinational	Nigeria-Cameroon : Enugu -Abakaliki-	OIVP	ORWA/ORCE	OINF	OINF.1	DB	LPL			70.00		70.00

ANNEX II : Evolution of the Loan / Grant Size in the Bank Group's Work Program for the period 2003-2007 (Amounts in UA million, unless otherwise specified)
a) ADB Window

Financing Instrument	2003			2004			2005			Projected for 2006			Projected for 2007		
	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size
Specific Investments	9	565.6	62.8	9	417.0	46.3	10	597.3	59.7	12	542.6	45.2	30	1,270.0	42.3
Project Loans	5	280.5	56.1	5	247.5	49.5	7	385.5	55.1	10	374.3	37.4	24	1,020.0	42.5
Sector Investment loans	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-
Lines of Credit	4	285.1	71.3	4	169.5	42.4	3	211.8	70.6	2	168.3	84.2	6	250.0	41.7
Policy-Based Lending	1	176.6	176.6	3	384.0	128.0	2	147.7	73.9	2	411.2	205.6	3	122.0	40.7
Structural Adjustment Loans	-	-	-	2	176.3	88.2	1	97.8	97.8	2	411.2	205.6	3	122.0	40.7
Sector Adjustment Loans	1	176.6	176.6	1	207.7	207.7	1	50.0	50.0	-	-	-	-	-	-
Guarantee													2	45.0	22.5
Institutional Support													1	15.0	15.0
Grants	11	3.6	0.3	6	2.8	0.5	17	5.7	0.3	17	6.9	0.4	-	-	-
Emergency Assistance	11	3.6	0.3	6	2.8	0.5	17	5.7	0.3	13	4.5	0.3	-	-	-
Studies and other project cycle activities (MIC)	-	-	-	-	-	-	-	-	-	4	2.4	0.6	-	-	-
Institutional Support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Loans and Grants	21	745.8	35.5	18	803.8	44.7	29	750.7	25.9	31	960.6	31.0	36	1,452.0	40.3

b) ADF Window

Financing Instrument	2003			2004			2005			Projected for 2006			Projected for 2007		
	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size	Number	Amount	Average Size
Loans	40	596.6	14.9	28	487.2	17.4	20	449.6	22.5	23	669.7	29.1	24	798.2	33.3
Project Loans	40	596.6	14.9	28	487.2	17.4	20	449.6	22.5	23	669.7	29.1	22	753.2	34.2
Sector Investment loans	-	-	-	-	-	-	-	-	-	-	-	-	1	40.0	40.0
Institutional Support	-	-	-	-	-	-	-	-	-	-	-	-	1	5.0	5.0
Lines of Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Studies	-	-	-	-	-	-	-	-	-	-	-	-	3	6.0	2.0
Policy-Based Lending	9	227.9	25.3	10	214.2	21.4	4	127.0	31.8	5	128.1	25.6	2	40.0	20.0
Structural Adjustment Loans	5	123.8	24.8	9	211.7	23.5	4.0	127.0	31.8	5	128.1	31.4	-	-	-
Sector Adjustment Loans	4	104.1	26.0	1	2.5	2.5	-	-	-	-	-	-	-	-	-
Grants	61	171.6	2.8	54	213.8	4.0	37	415.7	11.2	51	570.5	11.2	23	388.4	16.9
Emergency Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Studies and other project cycle activities, including PPF	14	34.9	2.5	6	8.2	1.4	12	17.8	1.5	7	20.5	2.9	3	3.3	1.1
Institutional Support	47	136.7	2.9	16	66.9	4.2	6	16.1	2.7	15	59.7	4.0	6	25.7	4.3
Investment Project	-	-	-	32	138.7	4.3	19	381.8	20.1	28	483.0	17.3	10	255.9	25.6
Policy based operations	-	-	-	-	-	-	-	-	-	1	7.3	7.3	4	103.5	25.9
Total Loans and Grants	110	996.1	9.1	92	915.2	9.9	61	992.2	16.3	79	1,368.3	17.3	52	1,232.6	23.7

ANNEX III : List of Policies, Strategies, Guidelines, Business Processes and Formats prepared in 2006 and planned for 2007 by the Bank Group

Initiated / Continued in 2006			Projected for 2007	
Item	Designation	Status	Item	Designation
1	Policy Framework for Transforming the Post-Conflict Country Facility into a Fragile States Trust Fund (FSTF) and Guidelines for accessing Resources from FSTF	On-going	1	Business Processes for Fragile Countries
2	Bank Group's Strategy on Middle Income Countries (MIC)	On-going	2	Clean Development Mechanism for the Bank Group
3	Proposal for Access to ADF-X Grant resources for Financing technical Assistance activities	Circulated to Board of Governors	3	Business Processes for Middle Income Countries
4	Guidelines on the Financial Management and Financial Analysis of Projects (Update)	On-going	4	Gender Guidelines for Health Sector
5	Eligible Expenditure for Bank Group Financing	On-Going	5	Gender Guidelines for Infrastructure Sector
6	Integrated Urban Development Policy and Strategy	on-going	6	Guidelines and Checklists for Integration of Poverty Reduction in Infrastructure Operations
7	Framework Paper on the Use of Country Systems	On-going	7	Guidelines on Preparation of Country Governance Profiles
8	Multisector Guidelines for Gender Profiles	on-going	8	ICT Policy Framework
9	Policy on Micro-finance	Approved	9	Implementation Manual for Disaster Risk Reduction in Bank Operations
10	Microfinance Operations Guidelines and performance Framework	On-going	10	Infrastructure Development Strategy
11	Strategy on Higher Education, Science and Technology	On-going	11	Policy on Land Resources Management
12	Strategy for the Control and prevention of Avian and Human Influenza (AHI)	On-going	12	Poverty Reduction and Social Analysis Handbook
13	Updating the Energy Sector Policy and Preparing a Strategy on Renewable Energy	On-going	13	Revised Environment and Social Assessment Procedures
14	Guidelines on water supply and sanitation	under processing for CODE	14	Revised Handbook on Stakeholder Consultation and Participation in Bank Group operations
15	Guidelines on User Fees and Cost Recovery for Water, Sanitation and Irrigation Projects	On-going	15	Revision of the Bank Group's Operations Manual
16	Financial Instruments to Facilitate Investment in Water Infrastructure	under processing for CODE	16	Updating Bank Group Transport Policy
17	Handbook for Disclosure of Information	On-going	17	Updating Guidelines on Lines of Credit
18	Areas of Comparative Advantage of the Bank Group	On-going	18	Corporate governance Guidelines
19	Assistance Strategy for Research Institutions	On-going	19	Environmental Guidelines for Private Sector
20	Updating the Health Sector Policy	On-going	20	Extractive Industry Institutional Guidelines
21	Environmental Guidelines on Operational Support to Financial Intermediaries	On-going	21	Operations Manual Update (Private Sector)
22	Handbook and Guidelines on Wetlands	On-going	22	Equity Policy Guidelines (Update)
23	Handbook and Guidelines on Water Harvesting	On-going	23	Guidelines for Board Representation in Investee Companies (Update)
24	Gender Guidelines on Agriculture and Rural Development Operations	On-going	24	Bank Group Medium-Term Strategy for 2008 onwards
25	Bank Group's Results-based Management Implementation Plan	On-going		
26	Guidelines on Multinational Operations	On-going		
27	Results-based Country Strategy Paper Annotated Outline for ADB-only Countries	On-going		
28	Guidelines for Civil Society Organizations on Anti-corruption Strategies	On-going		
29	Strategy for Assistance to Sub-regional DFIs	On-going		

ANNEX IV : List of Economic and Sector Works Planned by the Bank Group

Initiated / Continued in 2006				Projected for 2007		
Item	Country	Title	Status	Item	Country	Title
1	Swaziland	Labor Market Study	Complete	1	Namibia	SME Study
2	The Gambia	Investment Climate Study	On-going	2	Libya	SME Development Study
3	Botswana	Economic Diversification Study	Complete	3	Congo	Study on the Diversification of the Economy
4	Algeria	Private Sector Country Profile	On-going	4	Cameroon	Study on the Diversification of the Economy
5	Sao Tome & Principe	Oil Sector Study	On-going	5	Egypt	Enhancing the Competitiveness of the Egyptian Economy
6	ZZmultinational - SADC	Capital Market Integration Study	On-going	6	Angola	Private Sector Country Profile
7	ZZmultinational	Study on Africa Women in Business - Enhancing Development in Africa	On Schedule	7	Madagascar	Private Sector Country Profile
8	Tunisia	Etude sur la compétitivité de l'économie tunisienne	Complete	8	Mali	Private Sector Country Profile
9	Tunisia	Study on the Impact of Lines of Credit in Tunisia	On going	9	Senegal	Private Sector Country Profile
10	Libya	Study on the Banking and Financial Sector	On-going	10	Sierra Leone	Private Sector Country Profile
				11	Burkina Faso	Private Sector Country Profile
				12	Ghana	Private Sector Country Profile
				13	Nigeria	Private Sector Country Profile
				14	Benin	Private Sector Country Profile
				15	Mozambique	Country Private Sector Profile
				16	DRC	Study on the Development of the Private Sector
				17	Algeria	Study on the Financial Sector
				18	Morocco	Study on the transformation of savings into investments
				19	Mauritania	Study on the Management of the Oil Economy
				20	ZZmultinational	Study on Remittances
				21	ZZmultinational	Study on Enterprise Creation
				22	ZZmultinational	Study on Growth oriented Enterprises
				23	ZZmultinational	Study on Industrial, Mining and Agribusiness Opportunities
				24	The Gambia	Investment Climate Assessment (ICA)
				25	Mauritania	Investment Climate Assessment (ICA)
				26	Ethiopia	Investment Climate Assessment (ICA)
				27	DRC	Investment Climate Assessment (ICA)
				28	Namibia	Investment Climate Assessment (ICA)

				29	Botswana	Investment Climate Assessment (ICA)
				30	Nigeria	Investment Climate Assessment (ICA)
				31	Senegal	Investment Climate Assessment (ICA)
				32	Tanzania	Investment Climate Assessment (ICA)
				33	Rwanda	Investment Climate Assessment (ICA)
				34	Uganda	Investment Climate Assessment (ICA)
				35	Burundi	Investment Climate Assessment (ICA)
				36	Mozambique	Investment Climate Assessment (ICA)
				37	Morocco	Investment Climate Assessment (ICA)
				38	Algeria	Investment Climate Assessment (ICA)
				39	Tunisia	Investment Climate Assessment (ICA)
				40	Algeria	Competitiveness Studies for the SANE Economies
				41	South Africa	Competitiveness Studies for the SANE Economies
				42	Nigeria	Competitiveness Studies for the SANE Economies
				43	Egypt	Competitiveness Studies for the SANE Economies
				44	Burkina Faso	Country -Region Global Link (Cglink)
				45	Ghana	Country -Region Global Link (Cglink)
				46	Nigeria	Country -Region Global Link (Cglink)
				47	Niger	Country -Region Global Link (Cglink)
				48	Togo	Country -Region Global Link (Cglink)
				49	Benin	Country -Region Global Link (Cglink)
				50	Burundi	Economic Opportunities Baseline Studies
				51	ZZmultinational-Great Lake Region	Regional Economic Opportunities Baseline Study
				52	Zzmultinational-COMESA	Assessment of impact of the Free Trade Area
				53	Kenya	Growth and Regional Competitiveness Strategies
11	Botswana	Governance Profile	On Schedule	54	Angola	Governance Profile
12	Egypt	Governance Profile	Complete	55	Morocco	Governance Profile
13	Madagascar	Governance Profile	Complete	56	Ghana	Governance Profile
14	Mozambique	Governance Profile	Complete	57	Niger	Governance Profile
15	Gabon	Governance Profile	Complete	58	Togo	Governance Profile
16	Lesotho	Governance Profile	Complete	59	Namibia	Governance Profile
17	Zambia	Governance Profile	Complete	60	Sierra Leone	Governance Profile
18	Djibouti	Governance Profile	On-going	61	Burundi	Governance Profile
19	Ethiopia	Governance Profile	Complete	62	DRC	Post-Conflict Transition Study
20	Uganda	Governance Profile	On-going	63	Sudan	Post-Conflict Transition Study

21	Morocco	Establishment of a New Salary System for Civil Servants	On-going	64	Morocco	Establishment of a New Salary System for Civil Servants
22	Guinea Bissau	Reform of the Public Administration	On-going			
23	ZZmultinational	Financial and Capital Markets Integration Study	On-going	65	Swaziland	Fiscal Restructuring and Public Resource Management
24	South Africa	Municipal Finance Study	On-going	66	CAR	Follow-up on the Fiscal issues (with IMF and World Bank)
25	South Africa	Affordable Housing Finance	On-going	67	Egypt	Note on the Economic and Financial Sector Reform
26	Sao Tome & Principe	PER/CFAA/CPAR (jointly with the World Bank)	On-going	68	Chad	CPAR (with World Bank
27	Benin	CPAR (jointly with World Bank)	On Schedule	69	Benin	CPAR
28	Gabon	CPAR (jointly with World Bank)	On Schedule	70	Cape Verde	PER with the World Bank
29	Chad	CPAR (jointly with World Bank)	On Schedule	71	The Gambia	PER with the World Bank
				72	Guinea	PER with the World Bank
				73	Guinea Bissau	PER with the World Bank
				74	Liberia	PER with the World Bank
				75	Mali	PER with the World Bank
				76	Sao Tome & Principe	PER with the World Bank
				77	Senegal	PER with the World Bank
				78	Sierra Leone	PER with the World Bank
				79	Kenya	Public Expenditure & Financial Assessment (PEFA)
				80	Tanzania	Public Expenditure & Financial Assessment (PEFA)
				81	Uganda	Public Expenditure & Financial Assessment (PEFA)
				82	Ethiopia	Public Expenditure & Financial Assessment (PEFA)
				83	Burkina Faso	PEFA/CFAA jointly with the World Bank
				84	Senegal	CFAA/CPAR Integrated, jointly with the World Bank
				85	Ethiopia	Joint Budget & Aid Review (jointly with the World Bank)
				86	Rwanda	Joint Budget & Aid Review (jointly with the World Bank)
				87	Burundi	Joint Budget & Aid Review (jointly with the World Bank)
				88	Chad	Review of the Program for the Modernization of Public Finance management (PAMFIP, with World Bank and other donors)
				89	Sudan	Evaluation of the Joint Assessment Mission Exercise

				90	Malawi	Government Public Procurement
				91	Morocco	Contribution to the Poverty Study
30	Guinea Bissau	Assessment of the Training System	Complete	92	Zambia	Country Gender Profile
31	Gabon	Study on Health system	Complete	93	Swaziland	Country Gender profile
				94	Zzmultinational	Study on Telemedicine
				95	Zzmultinational	Study on Tertiary Education in Africa
				96	Zzmultinational	Assessment of the Bank's assistance to RMCs in the fight against HIV/AIDS during the past decade
				97	ZZmultinational	Review of Bank Group's Experience in Capacity Building
32	Angola	Transport sector Review		98	Namibia	Water Sector Review
33	Cape verde	Transport sector Review		99	Swaziland	Water Supply Feasibility Study
34	Guinea Bissau	Transport sector Review		100	Zimbabwe	Study on the Impact of Land Reform on Agricultural Growth
35	Sao Tome & Principe	Transport sector Review		101	Madagascar	Past and prospective Evaluation of Bank Operations.
36	Benin	Transport sector Review		102	Botswana	Water Sector Review
37	Angola	Energy Sector review		103	Mauritania	Study on the Access to Drinking Water and the Pollution of the Water Table
38	Guinea Bissau	Energy Sector review		104	Cameroon	Transport Sector Review
				105	Botswana	Agriculture Sector review
				106	Benin	Agriculture Sector review
				107	Ethiopia	Agriculture Sector review
				108	Liberia	Agriculture Sector review
				109	ZZmultinational - Africa	NEPAD Medium to Long term Strategic Framework Study
				110	ZZmultinational - Africa	Review of NEPAD STAP Implementation
				111	ZZmultinational Africa	Development of Inga Hydropower
				112	ZZmultinational - Africa	Study on the Implementation of the Yamoussokro Decision
				113	ZZmultinational - Africa	Study on Road Transport Facilitation Systems
				114	ZZmultinational - Africa	Study on the harmonization of ICT Policies
				115	Namibia	ICT Implementation Plan Study
				116	ZZmultinational - Africa	Infrastructure Projects
				117	Tunisia	Study on Regional Integration
				118	Libya	Study on Regional Integration

**ANNEX V : List of Country Strategy Papers (CSPs) and Regional Assistance Strategy Papers (RASP)
prepared/planned by the Bank Group**

initiated / Continued in 2006			Projected for 2007	
Item	Country / REC*	Status	Item	Country / REC
1	Lesotho (2005-2007)	Complete	1	Lesotho (2008-2010)
2	South Africa (2006-2010)	On-going	2	Namibia (2007-2011)
3	Morocco (update)	Complete	3	Mali (JAS)
4	Morocco (2007-2011)	On-going	4	Senegal (JAS)
5	Libya	On-going	5	Sierra Leone (JAS)
6	Ethiopia	Complete	6	Liberia (Interim CSP)
7	Eritrea	On-going	7	Burkina Faso (JAS)
8	Djibouti	On-going	8	Ghana (JAS)
9	Zambia (JAS)	On-going	9	Kenya (Update)
10	Zambia(Update)	On-going	10	Rwanda (Update)
11	Equatorial Guinea (update)	On-going	11	Seychelles
12	Tunisia (update)	Complete	12	Congo
13	Egypt (Update)	Complete	13	DRC
14	Mauritania	Complete	14	EAC-Regional Assistance Strategy
15	Tunisia (2007-2011)	On-going	15	Mauritania (Full CSP, Collaborative, 2008-2012)
16	Egypt (2007-2011)	On-going	16	UMA (RAS)
17	Gabon (2007-2011)	On-going	17	COMESA Programme Assistance
18	The Gambia (Update)	On-going	18	Mauritius (Update/Mid-Term review)
			19	Malawi (Update/Mid-Term Review)
			20	Madagascar(Update/Mid-Term Review)
			21	Angola(2008-2010)
			22	Cameroon (Mid-Term Review)
			23	DRC (CSP 2005-2007 Completion Report)
			24	Congo(CSP 2005-2007 Completion Report)
			25	Chad(Mid-term Review)
			26	Equatorial Guinea(2007-2010)
			27	Gabon(Mid-Term Review)
			28	ECCAS (RAS Update)
			29	Mali (Update)
			30	Senegal (Update)
			31	Sierra Leone (Update)
			32	Guinea Bissau (Mid-Term Review)
			33	Sao Tome & Principe (Mid-term Review)
			34	Cape Verde (Mid-Term Review)
			35	Senegal (Mid-Term Review)
			36	Guinea (Mid-Term Review)
			37	Mali (Mid-Term Review)
			38	Sierra Leone (Mid-Term Review)
			39	Burkina Faso (Mid-Term Review)
			40	Benin (Mid-Term Review)
			41	Ghana (Mid-Term review)
			42	Niger (Mid-Term Review)
			43	Nigeria (Mid-Term Review)

* REC stands for Regional Economic Community

** A joint Assistance Strategy has been or will be prepared for these countries

ANNEX VI : List of Dialogue missions*/papers undertaken/prepared or planned by the Bank Group

Initiated in 2006				Projected for 2007		
Item	Country / REC**	Theme	Status	Item	Country / REC	Theme
1	Egypt	CSP Dialogue	On schedule	1	Comoros	Country Dialogue
2	Tunisia	CSP Dialogue	On schedule	2	Burkina Faso	CPSP Dialogue
3	SADC	MIC Consultations	Complete	3	Ghana	CPSP Dialogue
4	Sudan	CDP	Complete	4	Nigeria	CPSP Dialogue
5	Chad	Review of PRSP	Complete	5	Benin	CPSP Dialogue
6	Gabon	Dialogue on PRSP	Complete	6	Libya	CSP Dialogue
7	Mauritania	CSP Dialogue	Complete	7	Liberia	CSP Dialogue
8	Morocco	CSP Dialogue	On schedule	8	Seychelles	CSP Dialogue
9	Gabon	CSP Dialogue	On schedule	9	SADC	Dialogue on the Bank's new MIC Strategy
				10	Chad	Dialogue on the PRSP Update
				11	Cameroon	Dialogue on the PRSP Update
				12	CAR	Dialogue on the PRSP
				13	Equatorial Guinea	Dialogue on the PRSP
				14	Madagascar	Country Dialogue & Aid Coordination
				15	Angola	Country Dialogue & Aid Coordination
				16	Malawi	Country Dialogue & Aid Coordination
				17	Mauritius	Country Dialogue & Aid Coordination
				18	Mozambique	Country Dialogue & Aid Coordination
				19	Zambia	Country Dialogue & Aid Coordination
				20	Algeria	Country Dialogue
				21	Ghana	CGP Dialogue
				22	Niger	CGP Dialogue
				23	Nigeria	CGP Dialogue
				24	Togo	CGP Dialogue
				25	Botswana	CGP Dialogue
				26	Cape Verde	CGP Dialogue
				27	Congo	CGP Dialogue
				28	Ethiopia	CGP Dialogue
				29	Uganda	CGP Dialogue

*Does not include the dialogue missions for CSPs, except for countries in special situation

**REC stands for Regional Economic Community

ANNEX IX : List of Identification Missions undertaken/prepared or planned by the Bank Group

Initiated in 2006				Projected for 2007		
Item	Country / REC*	Sector	Status	Item	Country / REC	Sector
1	Egypt	Water	Complete	1	Ethiopia	Infrastructure & Governance
2	Kenya	Water	On schedule	2	Tunisia	Agriculture
3	Seychelles	Water	On schedule	3	Multinational-Africa	Financial Intermediation Opportunities (PS**)
4	Angola	Water	On schedule	4	Morocco	Financial Sector
				5	Namibia	Governance
				6	Multinational-Africa	Industrial, mining and Agribusiness Opportunities (PS)
				7	Burundi	Infrastructure
				8	Kenya	Infrastructure
				9	Rwanda	Infrastructure
				10	Seychelles	Infrastructure, Water & Private Sector
				11	Multinational-Africa	Infrastructure Projects (PS)
				12	Swaziland	Institutional Support
				13	Nigeria	Institutional Support
				14	Multinational -Eastern and Sou	Integrated Water resources management
				15	Multinational-Africa	Microfinance (PS)
				16	Mali	Multisector
				17	Tanzania	Multisector
				18	Tunisia	Multisector
				19	DRC	Multisector
				20	South Africa	Power & ICT
				21	Tunisia	Power & ICT
				22	Egypt	Power & ICT
				23	Gabon	Power & ICT
				24	Swaziland	Power & ICT
				25	Namibia	Power & ICT
				26	Burkina Faso	Social
				27	CAR	Social
				28	Liberia	Social
				29	Togo	Social
				30	Multinational -COI	Social (Education)
				31	Rwanda	Social (Health - SWAp)
				32	Tunisia	Social (Health)
				33	Morocco	General identification
				34	Equatorial Guinea	Transport
				35	Burkina Faso	Transport
				36	Nigeria	Transport
				37	Liberia	Transport
				38	Ghana	Transport
				39	Lybia	Transport
				40	Ethiopia	Transport
				41	Sudan	Transport
				42	Multinational Mauritania-Mali	Transport (corridor)
				43	Mauritania	General Identification
				44	Mali	Economic and Financial management
				45	Cameroon	General Identification

* REC stands for Regional Economic Community

** PS : Private-Sector led