

AFRICAN DEVELOPMENT BANK

AFRICAN DEVELOPMENT FUND



THE FRAGILE STATES FACILITY (FSF)

**GUIDELINES ON ADMINISTRATION
OF THE TECHNICAL ASSISTANCE AND CAPACITY BUILDING
(TCB) PROGRAM OF PILLAR III OPERATIONS**

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Acronyms and Abbreviations

ADB	African Development Bank
ADF	African Development Fund
CBMP	Capacity Building Master-Plans
CODE	Committee for Development Effectiveness
CSP	Country Strategy Paper
FFCO	Financial Control Department
FSF	Fragile States Facility
IN	Semi-Annual Information Note
JAS	Joint Assistance Strategies
LOTB	Lapse of Time Basis
MDA	Ministries, Departments and Agencies
NA	Needs Assessments
OSFU	Fragile States Unit
OECD	Organization for Economic Cooperation and Development
DAC	Development Assistance Committee
OpsCom	Operations Committee
PBA	Performance Based Allocation System
PCCF	Post-Conflict Country Facility
PCEF	Post Conflict Enhancement Factor
PCR	Project Completion Report
PRSP	Poverty Reduction Strategy Papers
RMCs	Regional Member Countries
QIN	Quarterly Information Note
RD	Regional Department
SD	Sector Department
TA	Technical Assistance
TCB	Technical Assistance and Capacity Building Program
TSW	Targeted Support Window

Executive Summary

1. These Guidelines on Administration of the Technical Assistance and Capacity Building Program of Pillar III Operations of the Fragile States Facility complement the African Development Bank Group's Strategy for Enhanced Engagement in Fragile States, the Operations Guidelines of the Fragile States Facility and the Legal Note Concerning the Implementation of the Fragile States Facility. They have been prepared in response to commitments made by Management to the Boards of Directors to present guidelines on the "secondment program" of the Targeted Support Window (Pillar III) of the Fragile States Facility (FSF). The Guidelines have benefited from the comments and guidance provided by the Committee for Development Effectiveness (CODE), which reviewed an earlier version of the document on 03 June 2010. Comments and observations provided by CODE have been reflected in the current draft.
2. The Guidelines propose to consolidate the three sub-components of Pillar III operations of the FSF into an integrated technical assistance and capacity building program (TCB). The broad objective of the consolidated program is to lay a strong foundation for building sustainable and effective institutions in FSF beneficiary countries. The TCB will provide well targeted technical assistance, combined with institutional capacity development, the large-scale training of serving senior and technical staff in public institutions, and the deployment of highly skilled experts residing in the Diaspora, to support recovery efforts of Pillar III eligible countries.
3. The Guidelines propose the final allocation of Pillar III resources by applying the ADF 11 resource allocation framework of the FSF. They further elaborate on the processing and approval procedures of Pillar III operations with a value of UA 2.0 million or below, thus covering a procedural gap that existed in the Operations Guidelines of the Fragile States Facility.
4. These Guidelines, along with other innovations made in the Board Resolution Concerning Implementation of the FSF, including the proposal for a Delegation of Authority Matrix for approval of FSF operations are being proposed with the view of deepening and enhancing the efficiency and effectiveness of the African Development Bank's strategic framework for supporting fragile states. The recommendations were also made in the Operational Plan for the Bank Group's Accelerated Engagement in Fragile States Report that was reviewed in the Seminar organized for the Boards of Directors in September 2008.
5. The Boards of Directors are invited to consider and approve the proposed Guidelines on Administration of the Technical Assistance and Capacity Building (TCB) Program of Pillar III Operations of the Fragile States Facility.

1. Introduction

1.1 Background

1.1.1 The Board of Directors adopted the Bank Group's Strategy for Enhanced Engagement in Fragile States¹ and the Operations Guidelines of the Fragile States Facility² in 2008. Both documents benefited from the guidance and comments provided by the ADF Deputies and the Boards of Directors right from the start, during the preparation of policy papers for the ADF 11 Replenishment negotiations. The approach outlined in the two documents constitutes the African Development Bank Group's strategic framework for supporting eligible fragile states.

1.1.2 The Board of Directors also approved in 2009 a Legal Note Concerning the Implementation of the Fragile States Facility (FSF)³. The Resolution adopted by the Boards of Directors regarding the Legal Note *inter alia* confirms: (i) waiving application of the Policy on Loan Arrears Recovery (the "Sanctions Policy") for operations of FSF; (ii) waiving application of Bank's "Rule of Origin"⁴ in procurement using FSF resources; (iii) delegating authority to Management to approve operations of the Targeted Support Window (TSW) - Pillar III; and (iv) requiring submission of an Information Note to the Board on a semi-annual basis, replacing the Quarterly Information Notes (QIN) that are currently prepared by the Fragile States Unit (OSFU).

1.2 Objectives of the Proposed Guidelines

1.2.1 The current Guidelines complement African Development Bank Group's strategic framework for assisting fragile states and the Legal Note Concerning Implementation of the FSF. They have been prepared in response to commitments made by Management⁵ to the Boards of Directors and ADF Deputies to the effect that OSFU, in the course of implementing the FSF, shall prepare and present for consideration by the Board of Directors the Operational Guidelines of the Secondment Program of Pillar III.

1.2.2 The Guidelines are informed by experiences and lessons learned in the short implementation period of the FSF, experiences from other donors supporting technical assistance and capacity building in fragile states⁶ in Africa, and feedback obtained from FSF-beneficiary countries. The Guidelines further benefited from the comments and guidance provided by the Committee for Development Effectiveness (CODE), which reviewed an earlier version of the document on 03 June 2010. Comments and observations provided by CODE have been reflected in the current draft. Some of the proposals and recommendations

¹ See African Development Bank Group, Strategy for Enhanced Engagement in Fragile States, B/BD/WP/2008/37 and F/BD/WP/2008/10, March 2008

² See African Development Bank Group, Operations Guidelines of the Fragile States Facility, B/BD/WP/2008/103 or F/BD/WP/2008/60

³ See African Development Bank Group, Legal Note Concerning the Implementation of the Fragile States Facility, B/BD/WP/2010/07/Approval or F/BD/WP/2010/08/Approval, January, 2010

⁴ The "Rule of Origin" restricts procurement of goods and services to states' participants or members, or to states that provide resources to ADF.

⁵ See African Development Bank Group, Operations Guidelines of the FSF, para 3.3.4 (iv)

⁶ See Independent Evaluation Group

made in the current guidelines were also discussed in the context of a Seminar organized by Management for the Board of Directors in September 2008⁷.

1.2.3 The Board of Directors will recall that the TSW of the FSF provides support to fragile states in three sub-components: i) seconding seasoned professional staff to strengthen human capacity by filling critical gaps in carefully selected domains in the public sector; ii) providing service delivery through non-sovereigns, which includes contracting private sector firms to undertake critical public sector functions, such as accounting, auditing and procurement; and iii) knowledge building and management, aimed at enabling the Bank to better deliver assistance in fragile states.

1.3 Human and Institutional Capacity Constraints in FSF-Beneficiary Countries

1.3.1 All the FSF-beneficiary countries face serious institutional and human capacity constraints that are well captured in their Poverty Reduction Strategy Papers (PRSPs), Needs Assessments (NAs) or in other country and donors' programming documents.

1.3.2 The capacity of their public sector (government ministries and institutions) to deliver key services, undertake the day-to-day management and administrative functions of government, address corruption and accountability, amongst others, are extremely low due to a combination of factors that include shortage of budgetary allocations, office equipment, working tools and low salaries that have fallen far below the cost of living. The weak institutional capacity is further compounded by the flight of human capital and skills (or brain drain), which is one of the legacies of fragility and conflicts. The challenges are more daunting in public sector Ministries, Departments and Agencies (MDA) that are involved in economic and financial management and those in service delivery.

2. Emerging Lessons from Pillar III Support

2.1 The first lesson relates to the fact that a comprehensive and well targeted technical assistance program combined with support for building state capacity and accountability is essential in sustaining the recovery processes of fragile states. Second, provision of technical assistance⁸ and capacity building (TCB) is essential in reviving service delivery and in ensuring effective implementation of the Bank Group's program of assistance to fragile states. Third, in most of these countries, support for capacity building remains fragmented, and their governments have been asking the Bank to play a lead role by supporting development of Capacity Building Master-Plans (CBMPs) that could assist in coordinating assistance from donors. To this end, the demand-driven nature of the TCB program, combined with implementation flexibility would make it easier to generate constant synergies with other Departments and Units of the Bank, as well as regional and non-regional organizations and agencies providing similar support in fragile states.

⁷ The document discussed in the Fragile State Session was "An Operations Plan for the Bank Group Accelerated Engagement in Fragile States Report (BAEFSR): Report of the Working Group" B/BD/WP/2008/135 or F/BD/WP/2008/83, September, 2008.

⁸ Technical assistance will involve the short term contracting of experts with relevant skills/knowledge to undertake specific function within MDAs, while capacity building is the long-term process of developing sustainable and effective public sector institutions, organization capacity and resource management skills.

2.2 It is on account of the serious institutional and human capacity constraints, and the experiences and lessons learned that Management is proposing consolidation of the three sub-components of Pillar III operations into a more meaningful and integrated TCB program. The proposal to consolidate is based on the realization that the sub-components of Pillar III as currently operationalized cannot serve as effective ingredients for building capacity for several reasons:

- i) Secondment alone cannot effectively address the demonstrated capacity building needs in fragile regional member states or assist beneficiary countries to undertake their public sector functions in an effective manner and/or on a sustainable basis;
- ii) While private sector entities can be contracted to deliver key services to governments, efforts are required to transfer such skills and knowledge into the public sector;
- iii) Past experience has demonstrated that training of personnel, without the provision of tools and technologies that will enable them to translate information imparted into their day-to-day operations, does not lead to capacity enhancement; and
- iv) That effective capacity building programs should be linked to institutional policy reforms in administration, management and incentives structure, including salaries to induce appropriate behaviors and norms in public sectors. Accordingly, and given the centrality of civil service reforms in strengthening performance of the public sector, the TCB program will provide support for technical experts to render advisory services on reforming the civil service for requesting governments.

2.3 Overall, addressing capacity needs in fragile and post-conflict countries should be done in a comprehensive and integrated manner that takes into account the needs expressed by the governments themselves and provides the basis for future operations by the Bank.

3. Proposed Program, Guiding Principles and Themes

3.1 Proposed Pillar III Program

3.1.1 These Guidelines set forth the objectives, guiding principles, eligibility, approval process and rules and administrative procedures that shall govern the proposed TCB of Pillar III operations of the FSF.

3.1.2 The broad objectives of the proposed TCB program are to lay a strong foundation for building state capacity and accountability in beneficiary countries. Given the demonstrated capacity constraints in FSF-beneficiary countries, the TCB program will focus on the provision of working equipment, large scale training of senior executives and technical staff through in-service seminars, demonstration projects, workshops and short-term overseas courses and seminars to government MDAs. The provision of working tools and equipment will be negotiated on a case-by-case basis with the requesting governments, with the objective of ensuring sustainability of support by requesting the programming of resources in the country's fiscal budget for maintenance, upgrading, replacement and the continuous training of staff, even after the end of the FSF support.

3.1.3 Given the centrality of civil service reforms in strengthening performance of the public sector, technical and advisory assistance focused on reforming the civil service shall also be provided from Pillar III resources. The program shall also involve contracting of

private sector entities and deployment of experts from the Diaspora to carry out critical public sector functions, such as accounting, auditing and procurement and in undertaking knowledge building and research. As the aim is to strengthen and retain capacities, efforts will be made for these contractors and technical assistants, including the Diaspora to provide training to staff of MDAs and ensure that skills are transferred as part of their activities and outputs.

3.1.4 There is a large pool of qualified and knowledgeable Africans in the Diaspora who are committed to Africa's development. The proposed TCB would nurture networks of these professionals according to critical areas of support of FSF Pillar III and help connect them to governments and regional organizations. Diaspora experts and networks shall be recruited on a short-term basis to undertake assignments, such as performing ongoing public sector functions in collaboration with in-country staff.

3.1.5 The Guidelines also propose that the Bank provide support to governments in development of Capacity Building Master-Plans that can help in coordinating and unifying donor support for technical assistance and capacity building in FSF beneficiaries. Technical assistance and capacity building support have been fragmented, in terms of the activities undertaken by various donor agencies as well as the way in which operations under FSF Pillar III were carried out. The TCB program will integrate institutional, organizational and human capacity building, provision of equipment and tools, large-scale training, and coordination of all capacity-related donor activities, among others, in a comprehensive approach.

3.1.6 Owing to the regional dimensions of fragility and conflicts, the Guidelines propose that the TCB should also support technical assistance and capacity building in relevant Regional Organizations. Regional organizations with member states affected by fragility or conflict, such as the Mano River Union, the Indian Ocean Commission and the International Conference for the Great Lakes Region have often requested for such support from the Bank, which is critical given the leadership role they continue to play, especially with respect to the negotiations and consolidation of the peace process in member-states.

3.1.7 Management is of the view that such a comprehensive TCB program, focused on MDAs and a few Regional Organizations could be more beneficial to fragile states and will be quicker in showing results for investments undertaken through Pillar III resources of the FSF than was previously the case. Being a demand-driven program, requests for the TCB program from governments shall be channeled through the Ministries of Finance and/or Economic Planning and Development.

3.2 Guiding Principles and Themes

3.2.1 Consistent with the African Development Bank's strategic framework for assisting fragile states, delivery of Pillar III operations will be done within the overall framework of the ten (10) OECD-DAC Principles for Good International Engagement in Fragile States and Situations that govern all FSF operations. These principles are well captured in Annex III of the Bank's Strategy for Enhanced Engagement in Fragile States⁹.

⁹ Also see Development Co-ordination Directorate/Development Assistance Committee (DCD/DAC (2006)62), "Fragile States: Policy Commitment and Principles for Good International Engagement in Fragile States and Situations" DAC Senior Level Meeting, 5-6 December 2006.

3.2.2 The OECD-DAC Principles complement the 2005 Paris Declaration on Aid Effectiveness and recognize that a long-term focus on state capacity and accountability is critical in all fragile states contexts. Six (6) of the ten (10) principles are particularly relevant in the context of providing technical assistance and building state capacity and accountability; these are: i) understanding the specific context in each country, and developing a shared view of the strategic response that is required; ii) doing no harm in the course of providing TCB; iii) focusing on state building as the central objective; iv) agreeing on practical co-ordination mechanisms with other partners engaged in providing TCB; v) aligning with local priorities; and vi) acting fast, and staying engaged long enough to give success a chance.

4. Eligibility and Use of Pillar III Resources

4.1 Eligibility: As outlined in the Operational Guidelines of the Fragile States Facility (FSF), eligibility for any country to access resources from the FSF is based on recommendations made by Management in a Board approved country programming document, such as: i) Country Briefs (CBs); ii) interim or full Country Strategy Papers (CSPs); iii) Joint Assistance Strategies (JAS); and iv) CSP Updates or mid-term review reports. Regional Directors (RD) have the flexibility to choose the programming document that best suits specific country circumstances.

4.2 By end-May 2010, thirteen (13) countries had met the criteria and had approval of the Boards of Directors to access the first-cycle of support under ADF 11 from Pillar III of the FSF: Burundi, Central African Republic (CAR), Comoros, Democratic Republic of the Congo (DRC), Cote d'Ivoire, Guinea Bissau, Liberia, Sierra Leone, Togo, Chad, Republic of Congo, Somalia, and Zimbabwe. Management is processing the programming documents for three (3) countries that have requested for eligibility to the FSF, excluding Eritrea, which is a non active member: Djibouti, Guinea and Sudan. Discussions are underway with Sao Tome and Principe for its eligibility and resources have been made available in this regard.

5. FSF Pillar III Initial Country Allocations

5.1 As at March 2010, Pillar III had received resources in the amount of UA 85.39 million or 13.2% of the total FSF resources in the amount of UA 647.79 million. The resources comprise UA 25.39 million from the ADF 11 in 2008 and UA 60.0 million from the ADB Net Income in May 2009. Table 1 summarizes the distribution of resources and source of funding in the various windows of the FSF.

Table 1: Distribution of FSF Resources as at June 2010 (UA million)

FSF Window	ADF-11 Allocation	PCCF Carry-Over	Earnings from PCCF Resources	ADB allocation from 2008 Net Income	Total Resources
<i>Pillar I</i>	253.94	-	-	-	253.94
<i>Pillar II</i>	129.10	165.64	13.72	-	308.46
<i>Pillar III</i>	25.39	-	-	60.00	85.39
Total Resources	408.43	165.64	13.72	60.00	647.79

* Cumulative income earned on PCCF resources (ADB and ADF) was UA 13.72 million as of Dec., 2009

5.2 As agreed with the ADF Deputes, Pillar III, and the entire FSF remain open to absorbing voluntary contributions from the ADF members and other stakeholders, including emerging donors. Such contributions could be earmarked for a specific window of the FSF, with the proceeds programmed to finance any activity under the window or to reduce the arrears clearance burden of a beneficiary country under the Arrears Clearance Window (ACW). The contributions could also be made without any restrictions to their usage or in favor of a specific country or countries. Such contributions to the FSF will be disclosed in the Financial Statements of the Bank Group, with the objective of ensuring transparency of the Facility. As of end-2009, the FSF had received confirmation of a grant of UA 1.2 million (Danish Krone 10 million) in voluntary contributions from the Danish International Development Agency in support of the ADF's capacity building program of the water supply and sanitation sector in Zimbabwe.

5.3 **As at end May 2010 Management had allocated** a total of UA 24.83 million to sixteen (16) countries.

6. Proposed Final Country Allocations for FSF Pillar III Resources

6.1 With the additional allocation of UA 60 million to Pillar III in May 2009 from the Net Income of the Bank, management found it appropriate and necessary to allocate the total of Pillar III resources in the amount of UA 85.39 million among beneficiary countries without introducing any new resource allocation framework to the FSF. Accordingly, the Pillar I resource allocation framework agreed with the Deputies and the Boards of Directors was applied to distribute total Pillar III resources to the eighteen (18) potential beneficiaries.

6.2 The framework, as outlined in the ADF 11 Deputies Report and the Operations Guidelines of the FSF¹⁰, involves the application of a top-up factor to distribute resources equitably and uniformly across Pillar I FSF-beneficiary countries. The top-up is applied on the average of the two best ADF Performance Based Country Allocations (PBA), excluding Post-Conflict Enhancement Factor (PCEF) allocations and the minimum allocation of UA 5.0 million that applies to all ADF countries. It is dependent on the volume of resources, number of beneficiary countries and the floors and caps applied. Given the low volume of resources in Pillar III and the large number of beneficiaries, the top-up factor applied is **0.17**¹¹, with a floor of UA 2.50 million and a cap of UA 7.50 million. The floors and caps are applied to address the diverse characteristics of Pillar III beneficiary countries in the context of the dimensions of variables that apply for the PBA allocations, including population size, income per capita and country policy and institution assessment scores.

6.3 The main justification for applying the allocation framework of Pillar I to Pillar III is to ensure consistency in the application of the principles and elements agreed with the Deputies and the Board of Directors on all FSF operations.

6.4 An amount of UA 9.33 million or 10.93% of Pillar III resources has been proposed for supporting technical assistance and capacity building operations in three (3) regional organizations: the Mano River Union (MRU) Joint Secretariat, International Conference on

¹⁰ See para 3.1.6 and Annex 2 of the Operations Guidelines of the Fragile States Facility

¹¹ Several scenarios were derived with different multiplicative factors and ratios, prior to selecting that with a multiplicative factor of 0.17 and a floor-cap ratio of 1:3.

the Great Lakes Region (ICGLR), and the Indian Ocean Commission (IOC). Prior to the conflict, these organizations were influential in implementing programmes that promote peace and security, harmonization and regional integration, including Bank-funded cross-border HIV/AIDS projects. For example, the operations of the MRU, located in Freetown, the capital city of Sierra Leone, were adversely affected by the decade-long conflicts in Sierra Leone and Liberia. The proposed capacity building programmes will enable them to fulfill their intended objective, and will be monitored in the same way as those of the countries within the regions. The proposed FSF Pillar III allocation to each of the three organizations amounts to UA 1.5 million. The remaining balance of Pillar III resources in the amount of UA 4.83 million (UA 9.33 million minus UA 4.5 million proposed for regional operations) will cater for possible new entrants into the FSF in 2010 and support Economic and Sector Work (ESW) on fragility and conflict. Table 2 below presents a summary of the allocations of Pillar III resources by activity.

Table 2 below presents a summary of the allocations of Pillar III resources by activity.

Table 2: Summary of FSF-Pillar III Allocations by Activity

Category	UA Million	%
Total allocation to beneficiary countries	76.06	89.07
Allocation to 3 regional organizations	4.50	5.27
Set-aside for possible new entrants	4.83	5.66
Total	85.39	100.0

6.5 Reallocation of Unused Resources: Given that the ADB Net Income was allocated to the FSF in May 2009, OSFU propose that any uncommitted country resources in Pillar III by the Mid-Term Review of the ADF 12 be aggregated and re-distributed to performing Pillar III countries, using the same formula that is applied in these guidelines. The period of up to June 2012 is selected in order to ensure that FSF resources conform to the ADF rules of initially allocating resources to countries for a period of three (3) years before re-calling the unused resources and re-distributing them to other performing countries. Accordingly, the **semi-annual Information Note** on the FSF for June 2012 shall contain the proposed country reallocation to Pillar III beneficiaries for consideration by the Boards of Directors.

7. Appraisal and Approval Procedures of Pillar III Operations

7.1 The FSF Pillar III operations can be appraised as: i) stand-alone projects or ii) could be embedded in other operations funded by other Bank Group instruments and resources, including from Pillar I resources and/or the PBA country allocations. For the latter case, an infrastructure project or a policy-based operation funded from the PBA-country allocation and/or from Pillar I resources, to cite two examples, can have a technical assistance and a state capacity building and accountability component financed from Pillar III of the FSF embedded in it. *In such operations, approval for use of Pillar III resources, regardless of the amount, will be in line with the recommendations made in the 2008 Operations Guidelines of the FSF, namely that Pillar III resources for supporting TCB shall be considered for approval by the Boards of Directors as an integral component of the bigger operation.* The appraisal report of the operations should also have a results monitoring framework that has

elements of the TCB component embedded in it. Table 3 summarizes the approval procedure and authority of Pillar III FSF-operations, as contained in the Legal Note Concerning the Implementation of the Fragile States Facility (FSF).

7.2 Stand-alone Pillar III Operations: The appraisal and approval procedures of stand-alone Pillar III operations, however, differ from those of TCB operations embedded in other Bank operations, discussed above:

- i) For operations with a value of **UA 2.0 million or above**, the standard Bank appraisal and approval procedure applies; namely, that a country's specific request shall be made in a country programming or appraisal document or the request could be submitted by beneficiary government directly to either the Regional and/or Sector Directors, who will coordinate and collaborate with the OSFU in appraising and **implementing the entire project cycle of the operations. Board approval** for such operation will be on a Lapse-of-Time-Basis (LOTB) - in line with the Resolution concerning the Implementation of the Fragile States Facility (see Table 3).
- ii) For stand-alone operations of between **UA 1.5 million - 2.0 million**, an appraisal report shall also be prepared with a view to assuring quality-at-entry, which shall be reviewed by the country team and submitted for consideration by the Operations Committee (Opscom) on a LOTB. The stand-alone appraisal report will also have the usual results monitoring log-frame drawn from elements in the Bank's Strategy for Enhanced Engagement in Fragile States and from the Result Measurement Framework of the ADB Group, 2011-2013. Key elements that shall be captured include the outputs and results expected from the TCB. Consistent with the Bank's Strategy for Enhanced Engagement in Fragile States, a project completion report (PCR) of the operation shall also be prepared and will have sections elaborating on the TCB supported by the FSF.
- iii) For all operations with a value of **UA 1.5 million or below**, the draft templates attached in the annex of these Guidelines may be used rather than a formal appraisal report. Both the request form (Annex 1) and the Terms of Reference (TOR) in Annex 2 shall be completed by the government requesting for Pillar III support. Based on the submission from government, Annex 3 will be prepared and signed by the Head, OSFU and the Sector or Regional Director overseeing the Bank's operations in the requesting country. The memorandum shall then be forwarded to the approving authority. The annexes will detail the background, content, profile and timeframe of the capacity building assistance required. The proposal should indicate objectives, activities (including training needs, additional related services and goods required), expected results and a detailed budget. Finally, the choice for the proposed technical experts should be made in line with the Bank's Rules and Procedures for the Use of Consultants that will be made available to the requesting Government.

7.3 The approval authority for Pillar III operations of **UA 0.5 million to UA 2.0 million** shall be the President, while the Vice President shall approve all operations of **UA 0.250 to UA 0.500 million** in value. Other approval authorities are detailed in Table 3 below. The technical assistance operations shall also have a results monitoring framework that is consistent with the log-frame of the Strategy for Enhanced Engagement in Fragile States and the Results Measurement Framework for the ADB, 2011 – 2013.

Table 3: Approval Procedure and Authority

	Value of Operation	Approval Authority and Procedure
1	UA 50,000 and below	Head of Unit, OSFU
2	UA 50,001 to UA 250,000	Relevant Regional/Sector Director & Head of Unit, OSFU
3	UA 250, 001 to UA 500,000	Vice President, Operations II (OSVP)
4	UA 500,000 to UA 2,000,000	President
5	UA 2,000, 001 and above	Boards of Directors by Lapse-of-Time-Basis
6	All Pillar III operations embedded in other projects	Boards of Directors

7.4 Procedures for Requesting and Contracting of Technical Experts: Requests for technical assistance could be tailor-made and take flexible formats, as long as they follow the Bank's Rules and Procedures for the Procurement of Goods and Works, and the Rules and Procedures for the Use of Consultants and the assistance should be sufficiently coordinated with other donors.

7.5 Technical experts will initially be contracted for a short period of around one-year, with the possibility of renewal for a further period of only one year based on continued demand by beneficiary country, and subject to the expert's satisfactory performance.

7.6 The technical experts contracted by the FSF-beneficiaries shall be required to prepare quarterly reports on progress made in implementation and results achieved under the TCB. Upon completion of their assignments, the experts will submit a final report describing their work and results based on their ToRs that should contain:

- A self evaluation of activities undertaken.
- Substantive and technical observations.
- Evaluation of results compared with the objectives.
- Problems encountered with possible solutions.
- Possible follow-up activities.
- Achievements in terms of knowledge transfer (quantified if possible).
- Institutional arrangements, working relationships and receptivity of the host institution.
- Financial report.
- Recommendations.

7.7 The host institution in turn will complete a standardized evaluation template of the TCB (see Annex 4), assessing the usefulness of, and results achieved by, specific TCB.

7.8 In an effort to ensure that FSF-beneficiaries contract the right caliber of professionals, the OSFU will gradually build a pool of professionals with relevant experience in fragile states. If the FSF-beneficiaries so wish, they may tap from the Bank's pool of professional staff. The FSF list will be harmonized with the Bank's Database for Consultants (DACON). ADB staff are not eligible for FSF secondment to their country of origin.

8. Implementation Arrangements and Review Processes

8.1 Implementation Arrangements: The OSFU remains on track in operationalizing the FSF in the ADF 11 period. The Unit has facilitated the efficient implementation of vital reforms and recovery operations in beneficiary countries, supported arrears clearance and the provision of debt relief (for Cote d'Ivoire and Togo) and provided targeted technical assistance and capacity building operations. The Unit has further assisted in coordinating Bank-wide interventions in fragile states and in providing advisory support to Regional and Sector Departments, especially with respect to preparation of country programming documents and in the design and implementation of projects and programs being undertaken by various complexes.

8.2 The collaborative inter-Departmental working arrangement nurtured by OSFU since 2008 will be deepened and broadened in order to leverage capacity of the Unit to deliver improved development outcomes and results for all FSF investments, particularly for the TCB program. Accordingly, and as stipulated in the Operations Guidelines of the FSF, the OSFU will continue to partner with:

- FFCO in the FNVP Complex in managing disbursements and the ORPF in procurements;
- Regional Departments (RD) in preparation of programming documents, and in undertaking policy dialogue with partner countries and donors;
- Sector Departments (SD) in effectively and efficiently implementing the entire project cycle of the FSF-funded operations;
- Field Offices in following up and advising on the design, implementation modalities, including disbursement and procurement procedures that should be applied to specific FSF-funded operations;
- Departments in the Chief Economist's Complex in: undertaking ESW; disseminating Bank's knowledge products on fragility and conflict; conducting seminars, workshops and training programs; and building state capacity;
- GECL in advising on commitments reached by the Bank and the OSFU with partner countries and donors;
- ORQR, seeking their advice on ensuring operations quality and results;
- OPEV in undertaking the evaluation of the FSF, and ensuring that the findings feed into fine-tuning the Bank's operational work in its fragile regional member states; and
- The OPSM and OSGE in re-establishing the enabling environment for private sector development activities in fragile states.

8.3 Review processes: For all Pillar III operations (stand-alone and those embedded in other operations), the Bank's project and program review process shall apply. OpsCom shall continue to serve as the Management Committee responsible for overseeing operations of the FSF. Country Teams (CTs) have the central responsibility of quality assurance of all FSF-operations as well as ensuring that the support programme is aligned with the country's priority needs and strategy.

8.4 Apart from waiving Bank's Rule of Origin and the Sanctions Policy¹², all other modalities, business processes and procedures for implementing TCB shall conform to the Bank's Operational Rules and Procedures and those outlined in the African Development Bank Group Strategic Framework for assisting fragile states. A summary of the proposed innovations for Pillar III is provided in Annex 5.

9. Monitoring and Evaluation

9.1 The OSFU will prepare semi-annual Information Notes (IN) to the Boards of Directors detailing the progress made in implementing FSF operations (see details in Annex 6). The IN shall be informed by the findings from supervision of FSF-funded operations and the continuous policy dialogue undertaken in FSF-beneficiary countries by the OSFU, in partnership with Regional and Sector Departments. The IN shall report on the Key Performance Indicators (KPIs) of the OSFU and the balance of FSF-resources, implementation progress, results attained, as drawn from the log-frames of various operations, and the measures that need to be undertaken to improve efficiency and results in weakly performing FSF operations. The IN will also contain an outlook and the challenges encountered in the course of implementing the FSF-investment plan. Unlike the past QIN prepared by the OSFU¹³, the IN will be subjected to the Bank's review process and shall be approved by OpsCom prior to submission to the Boards of Directors on a LOTB.

10. Conclusions and Recommendation

10.1 Conclusions: These Guidelines propose the consolidation of the three-sub-components of Pillar III operations into a more comprehensive technical assistance and capacity building program. The broad objectives of the consolidated Pillar III operations are to lay the strong foundation in FSF-beneficiary countries for building sustainable and effective institutions aimed at supporting the economic recovery process, improving service delivery, enhancing transparency and accountability, and addressing poverty.

10.2 The Guidelines propose the final allocation of UA 76.06 million to beneficiary countries of Pillar III by applying the resource allocation framework agreed with the Deputies and the Boards of Directors in ADF 11. The Guidelines also propose a set-aside of UA 9.33 million (or 10.93% of Pillar III resources) to cater for three regional organizations, and possible new entrants in FSF-Pillar III. They further outline the processing and approval procedures for Pillar III operations with a value of UA 2.0 million or below, which was not done in the Operations Guidelines of the FSF.

10.3 These, and other innovations proposed in the Legal Note Concerning the Operations of the FSF, are proposed to be implemented in order to enhance the portfolio of the TCB. The proposed innovations are based on experiences and the lessons learned in the course of implementing the FSF since 2008.

¹² See the Legal Note Concerning the Implementation of the Fragile States Facility – B/BD/WP/2010/07/Approval or F/BD/WP/2010/08/Approval.

¹³ See, for example, African Development Bank "Information Note on Operational Activities of the Fragile States Facility (FSF) in 2009 and Outlook to 200910" B/BD/IF/2009/76 or F/BD/IF/2009/75 or B/BD/IF/2009/210 or F/BD/IF/2009.

10.4 The Guidelines propose that the FSF-TCB be evaluated by OPEV by the Mid-Term Review (MTR) of the ADF 12, and the lessons drawn from evaluation be used to further improve program implementation.

10.5 Recommendation: The Boards of Directors are invited to consider and approve the proposed Guidelines on Administration of the Technical Assistance and Capacity Building (TCB) Program of Pillar III Operations of the Fragile States Facility (FSF).

ANNEXES

FRAGILE STATES FACILITY TCB REQUEST FORM
(to be completed by Recipient Government)

1. **Title:** Technical Assistance and Capacity Building Program (TCB):
2. Country and requesting government entity including name of signing authority (AfDB Governor) as well as project coordinator:
3. Implementing partner/executing agency (name, address, telephone, fax, email address), where applicable:
4. **Project Objectives:** *[what are the objectives against which the project's success and failure can be assessed?]*
5. **Rationale for the activities:** *[context and background information of the problem that the proposal aims to achieve and why it is important to the country. A description of the problems faced by the country and the type of assistance sought. How does the project fit within the overall PRSP, the priorities identified in the CSP or other strategic plans?]*
6. Description of the activities and expected results (including gender sensitivity):
 - i) Technical assistance.
 - ii) Service delivery by non-state actors to address temporary gaps in capacity.
 - iii) Short term consultancies.
 - iv) Secondment of experts from the Diaspora in ministries and government institutions.
 - v) Studies and analytical work by African research institutes.
 - vi) Study tours to other countries with similar problems.
 - vii) Training/capacity building of staff of regional institutions.
 - viii) Organization of donor coordination or resource mobilization meetings.
 - ix) Provision of small office equipment related to the above and a strong commitment by beneficiary country to allocate budgetary resources for maintenance and refresher training.
 - x) Other capacity building activities.

[Explain the expected output of the project and the development impact that can reasonably be anticipated by these activities, with specific mentioning how gender sensitivities are addressed and how knowledge transfer is achieved to ensure sustainability. Attach the Terms of Reference]
7. Proposed mode of recruitment of the technical expert (in line with the Rules and Procedures for the Use of Consultants of the AfDB).

8. Detailed budget (foreign exchange/local currency) and financing plan (FSF and government's own contribution (in kind where appropriate) and bank account details):
9. Proposed Mode of Procurement of small equipment (where applicable and in accordance with the Rules of Procedures for the Procurement of Goods and Works):
10. Proposed Time schedule and Implementation Plan:
11. Signature/Stamp of the requesting Ministry:
Appendices: ToRs and draft contracts

INDICATIVE TEMPLATE FOR TERMS OF REFERENCE (ToR) FOR FSF-TCB

1.1 The Terms of Reference (ToR) provided by the requesting Government should clearly state the relevant background and nature of the project and specify the Services to be performed by the executing agency/technical assistance as well as commencement and completion dates.

1.2 The ToR should be comprehensive and include the schedules and time limits, quality standards, tasks and milestones/performance benchmarks that the executing agency must meet in providing the services under the contract. The skills and experience required of the Consultant in providing the Services, the different tasks to be performed, the methodology and the expected outcome, and any reports or other forms of output to be delivered under the Contract should be set out.

1.3. This Annex is the legally binding description of the Services to be performed and supersedes any previous descriptions. Where the executing agency's proposal clarifies further the original terms of reference prepared by the Government, the relevant additional elements provided in the proposal should be incorporated. It is not sufficient to simply make reference to the proposal. Below are the main elements of a ToR.

2. Context and justification

This section of the ToR should contain background information on the current country context, the challenges experienced and the justification for addressing part of those challenges through the technical assistance/capacity building activity proposed for financing by the FSF.

3. General objective

The general objective of the activity should be described here. What is the expected outcome to which the activity aims to contribute?

4. Specific objective

The specific objectives of the activities should be Specific, Measurable, Achievable, Realistic, Time based. The specific objectives will be used to monitor and assess the success of the project.

5. Tasks of the expert

The tasks of the expert have to be explicitly stated as to avoid confusion of the expected deliverables.

6. Expected results

The outputs of the activity should be clearly described as well as how these outputs contribute to reasonably anticipated development impacts.

7. Profile and qualifications

Describe the requested qualifications for the executing agency, including desirable skills, knowledge and experience.

8. Methodology

The methodology used for implementation of the activity should be clearly described here.

9. Background documentation / relevant data

Include all relevant documentation and data.

10. Timeframe of the activity

Mention the timeline of the activity.

A logical framework should also be added with clear indicators and risk mitigation measures, where appropriate.

**TEMPLATE FOR APPRAISAL MEMORANDUM FOR STAND-ALONE
OPERATIONS OF PILLAR III WITH VALUE OF UA 1.5 MILLION OR
BELOW**

**AFRICAN DEVELOPMENT BANK GROUP
TEMPORARY RELOCATION AGENCY**



INTER-OFFICE MEMORANDUM

Date:

TO:

FROM :

.....

SUBJECT : Request from the Government of [COUNTRY] for Technical Assistance and Capacity Building support under FSF Pillar III [PROJECT TITLE]

1. Request

- 1.1. The Government of [COUNTRY] has requested support from the African Development Bank under Pillar III of the Fragile States Facility (FSF) via correspondences dated [DATE]. The purpose of this memorandum is to seek your approval for AfDB to fund [PROJECT TITLE] in the amount of [AMOUNT] USD. The project period is [DATE].
- 1.2. The present requests are aligned with the priorities of the Government and the Country Strategy Paper for [COUNTRY]. They have been prepared by the Government of [COUNTRY] in consultation with the Country Team for [COUNTRY].
- 1.3. The requests and supporting documents are attached herewith for your information.

2. Eligibility

2.1 Pillar 3 of the FSF is a Targeted Support Window that provides a limited pool of dedicated grant resources to support fragile states implement activities that are not addressed through traditional projects and other instruments on a demand-driven basis. The broad objectives of the proposed TCB program are to lay the foundation for building state capacity and accountability in beneficiary countries. The TCB program focuses on 1) provision of working equipment, large scale training of senior executives and technical staff through in-

service seminars, demonstration projects, workshops and short-term overseas courses and seminars to government Ministries, Departments and Agencies. The program also involves 2) contracting of private sector entities to undertake critical public sector functions, such as accounting, auditing and procurement and 3) in undertaking knowledge building and research.

2.2. [COUNTRY] is eligible for Pillar 3 of the FSF as laid down in [refer to appropriate document approved by the Board].

3. Project description

[DETAILED DESCRIPTION AND ANALYSIS OF THE PROJECT ACTIVITIES AND ITS EXPECTED RESULTS AND IMPACT, INCLUDING DEVELOPMENT RELEVANCE, ALIGNMENT WITH PRSP AND CSP PRIORITIES, GENDER ASPECTS, SOUTH-SOUTH, DIASPORA ENGAGEMENT]

4. Risk analysis

[AN OVERALL JUDGEMENT REGARDING RISKS POSED BY THE PROJECT AND MEASURES TO MITIGATE THESE RISKS IF THE RISKS ARE ACCEPTABLE]

5. Contracting, disbursements, monitoring and reporting

Contracting with implementing partners will be executed by the Government of [COUNTRY]. OSFU will provide a non-objection before each contract is signed.

Disbursements will be made directly to the implementing partner(s).

Monitoring of the projects will be done by OSFU in close collaboration with RD and SD,

The Government of [COUNTRY] and the implementing partner(s) will provide relevant technical and financial reports on project implementation on a timely basis.

6. Recommendation

We recommend your approval of this project to be financed under Pillar 3 of the FSF.

Upon your approval, a Letter of Agreement to the Government of [COUNTRY] will be prepared by GECL for your signature.

Attachments:

- The proposal
- Related correspondence
- Results matrix

cc:

STANDARD EVALUATION SHEET

Evaluation Sheet for Recipient Government of Technical expert financed from the Fragile States Facility Technical Assistance and Capacity Building Program

Project Title:

Project Period:

Name technical expert/institution:

1. Objectives and results

- Have the expected results in the ToR been achieved?
- If not, why not? To what extent is this attributable to the technical expert/institution?
- Have results been achieved that were not defined in the ToR?
- What's your overall opinion of the FSF operation (successful or not)?

2. Working Conditions

[An Assessment of the Working Conditions]

3. Management

Describe the working relationship with the technical expert/institution and identified obstacles.

4. Risks

Were risks assessments and responses adequate?

5. Evaluation of the executing agency/technical expert

- Did the expert implement the ToR in a professional manner?
- What are his/her strong and weaker points?

6. Lessons learned and follow-up

- Which lessons could be learned from this project?
- Have any plans for follow-up been made? If yes, which?

7. Final assessment

What is in quantitative terms your final assessment of the project (1-10, 10 being highest grade).

[DATE, SIGNATURE, NAME, POSITION, MINISTRY]

Summary of Proposed Innovations to Pillar III of the FSF

	Pillar III Operations as Detailed in the Operational Guidelines of the FSF (ADB/BD/WP/2008/123)	Proposed Changes to Pillar III Operations by Current Guidelines and Legal Note Concerning Implementation of the FSF	Value Addition
Components of Pillar III of the FSF	-Seconding professional staff; -Service delivery through non-sovereigns -Knowledge building and management.	-Consolidated into technical assistance and capacity building program (TCB)	Have a more integrated and comprehensive program that is necessary to lay strong foundation for state capacity and accountability in FSF-beneficiaries
Operation Procedures	Policy on Loan Arrears Recovery (Sanctions Policy) applicable ¹⁴	Policy on Loan Arrears Recovery (Sanctions Policy) Waived on FSF operations	Waiving Sanctions policy will enable FSF to support the recovery process of countries early in their post-crisis or conflict phases.
Procurement Procedures	Bank's "Rule of Origin" applicable	Bank's "Rule of Origin" Waived on FSF operations	
Eligibility criteria of Pillar III of the FSF	As outlined in the Bank Strategy for Enhanced Engagement in Fragile States and must be approved by Boards of Directors through a relevant country Programming document	No change in eligibility criteria and approval process	
Approval Authority of operations	Vice President, OSVP based on recommendations made by Sector or Regional Departments in consultation with the Head, OSFU	Through the Delegation of Authority Matrix as captured in Table 3 of these Guidelines ¹⁵ .	Improve internal efficiency in processing Pillar III operations.
Resource Allocation	No resources allocation formulae was applied in allocating the initial ADF 11 allocation of UA 25.36 million to Pillar III beneficiaries of the FSF	Resource application Framework for Pillar I to Pillar III	Harmonizes FSF-resource allocations to all Pillars
Monitoring of Operations	Quarterly Information Note (QIF) prepared and submitted for Board Consideration	Semi-annual information Note (IF) that is subjected to the Bank's review process and approved by OpsCom before being submitted for Board Consideration	Improve quality of Bank portfolio in FS and thus development outcomes and results

¹⁴ The Sanctions Policy applies to borrowers and/or guarantors that fail to pay the principal, as well as interest and/or charges on loans granted by the Bank or the ADF.

¹⁵ See also B/BD/WP/2010/07 Approved or F/BD/WP/2010/08/Approved

A broad outline for OSFU semi-annual information notes

1. Introduction
2. Resource balance of the Fragile States Facility
3. Implementation, progress, results achieved and specific highlights during the last six months
 - 3.1 Progress under Pillar I
 - 3.2 Progress under Pillar II
 - 3.3 Progress under Pillar III
 - 3.4 Overall summary
4. Coordination With Partners and Implementation of Commitments
5. Economic and Sector Works (ESW): OSFU knowledge building on fragility on the continent
6. Other priority activities
7. Outlook and Challenges encountered in implementing the FSF
8. Conclusions and next six months outlook

Mandatory tables:

Table 1: Resources of the FSF (in UA million)

Table 2: Pillar I resource balance (approved and disbursed amounts in UA million)

Table 3: Pillar II resources balance (approved and disbursed amounts in UA million)

Table 4: Pillar III resource balance (approved and disbursed amounts in UA million)

Table 5: Results Monitoring Matrix