

**NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
(NEPAD)**

**Bank Group Support to the Implementation of NEPAD
12th Summit of HSGIC, Algiers, November 2004**

Introduction

- 1 In November 2001, the Heads of State and Government Implementation Committee (HSGIC) of NEPAD requested the Bank to provide technical assistance and advisory services in support of the implementation of the Initiative. The specific mandate of the Bank with respect to infrastructure development was to develop a plan for infrastructure development. The Bank Group was also requested to collaborate with the Economic Commission for Africa (ECA) on Economic and Corporate Governance, and to help foster the adoption and implementation of banking and financial standards.
- 2 To implement its NEPAD mandate, the Bank has put in place the necessary institutional arrangements, including the establishment of a NEPAD Support Unit within its organisational structure. The Unit under the direct supervision of a Vice President, is staffed by professional staff in infrastructure and banking and financial standards, in line with the Bank's mandate, and is headed by a Director. In addition, the Boards of Directors approves yearly administrative budgets of approximately US\$1.5 million to fund the Bank's technical and logistic support to the NEPAD.

Infrastructure Development

- 3 The approach adopted under the programme was two pronged, namely: the development of a Short Term Action Plan (STAP) to kick start the process in the short-term, and a Medium–Long Term Strategic Framework (MLTSF) that will define a solid framework for infrastructure development in the continent in the medium to long-term, to run in parallel with the implementation of the STAP.
- 4 Between November 2001 and June 2002, the STAP was developed in consultation with regional economic communities (RECs) and development partners, namely the World Bank and European Union based on a survey of priority infrastructure projects and initiatives under preparation by African countries and by the RECs.
- 5 The STAP formed the first and major step in setting the foundation for a coherent and structured approach to the development of a regional infrastructure programme under the NEPAD Initiative. It focused wider attention on important infrastructure requirements of the continent, and the necessary policy, regulatory, and institutional measures to ensure the efficiency of existing and planned regional infrastructure assets.
- 6 A total of one hundred and twenty projects/programmes were selected by the RECs based on the criteria approved by HSGIC. This is made up of eighteen (18) capacity building, fifty two (52) facilitation, thirty six (36) investment, and eighteen (18) studies at a total estimated cost of about US\$ 8.1 billion, of which half of the cost of investment projects were to be targeted for private sector financing (see Table 1).

Type of Project	Number in STAP	Cost (USD million)
Capacity Building	18	424
Facilitation	52	407
Investment**	36	7,133
Studies	18	161

The 2003 STAP Implementation Review

- 7 The Bank Group undertook a review of the progress achieved in the implementation of the STAP one year after its launch. During the review, the RECs and Development Partners, in particular, the World Bank and European Union were consulted and made major inputs into the process.
- 8 The review showed that the first year of implementation of the STAP was a learning process for the RECs, for NEPAD and for their development partners. Overall, the first year was productive as progress was made on specific projects. It identified a number of implementation challenges that need to be addressed, in order to enhance the implementation of the STAP. These included the following:
- i) internalising NEPAD at both the country and sub-regional levels;
 - ii) creating and sustaining capacity at both the country and sub-regional levels;
 - iii) aligning RECs programmes and the NEPAD Priorities;
 - iv) prioritising RECs' STAP projects and programmes;
 - v) improving coordination & monitoring between RECs and their member countries; and
 - vi) co-ordinating overlapping mandates and programmes.

Implementation of 2003 STAP Review Recommendations

- 9 RECs CEO Summit: Acting on the recommendations of the 2003 STAP implementation review, the ADB organised a high level Summit in October 2003, chaired by H.E. Olesgun Obasanjo, at which the CEO's of the RECs met and discussed key implementation issues as well as the recommendations of the 2003 STAP Review. H.E Alpha Oumar Konare, the Chairman of AU Commission also attended and addressed the Summit.
- 10 Trans-boundary Water Resource Management: Following the recommendation of 2003 STAP review on this issue, the Bank Group undertook detailed consultations

** Half of Investments projects in STAP are Private Sector Projects

with seven river basin organisations, and has carried out a detailed review of trans-boundary water resource management. A stakeholder workshop sponsored by the Bank to review the report of the consultations and to make recommendations on initiatives to be developed will be held in December 1-4, 2004 in Johannesburg. The workshop will be attended by senior officers from AMCOW, River Basin Organisations, RECs, NGOs, Development Partners, Private Sector, and Civic Society.

- 11 Promotion of Regional Infrastructure Flag-Ship Projects: The 2003 STAP review also recommended the development of flagship projects to demonstrate the impact and influence of NEPAD. The Bank Group, in an effort to speed up the implementation of STAP and Flagship projects, has organized a number of facilitation meetings and workshops, and provides specialized technical advice and assistance to RECs as well as financing for studies that will help define the types and modes of NEPAD interventions to be undertaken, in order to move the projects forward.

Progress on Implementation of Flagship Projects

- 12 Yamoussoukro Decision: The Bank Group together with the World Bank is financing its implementation as it applies to air transport liberalisation, airport security and air safety in the ECOWAS and ECCAS regions. A Working Group involving core institutions has been set up by the Bank in collaboration with ECA to identify the impediments to implementation of Yamoussoukro and build an action plan for its full and wider implementation in all regions of the continent.
- 13 Facilitation of Road Transport: The Bank Group together with the World Bank is financing the Road Transport Facilitation program in the ECOWAS region, the objective of which is to promote economic activities, private sector development and improve the accessibility of land-locked countries in the region.
- 14 ICT Policy/Regulatory Frameworks at Regional Level: Significant progress has been made in SADC and ECOWAS regions with the establishment of regional regulatory associations. The e-Commission for Africa is coordinating all activities under ICT for NEPAD.
- 15 Power Pools: A number of projects in the different regions specifically East, South and West Africa are being developed for implementation.
- 16 Nile Basin Initiative: This major regional initiative is being supported by the African Development Bank and other Development Partners, notably the World Bank, the UNDP, CIDA, FAO, GEF and donor countries. The NBI is a regional framework aimed at bringing about sustainable development and management of the Nile waters. The preliminary estimate of the NBI program is currently put at about US\$2.0 billion. The Bank has agreed to commit US\$33 million as part of the contribution to the preparation of bankable NBI projects, and has already approved a number of studies in this connection.
- 17 Development of Great Inga: The development of the Great Inga seeks to harness the extensive energy resources, including hydroelectric potential of the Inga dam. Progress in this area has been hampered by the absence of a coordination framework.

The 10th HSGIC meeting in Mozambique mandated the Bank and the Secretariat to follow-up on the Great Inga hydropower project. Subsequently, the Bank mounted a fact finding mission to the Democratic Republic of Congo (DRC) to establish the level of progress through direct discussions with concerned authorities.

The mission showed that progress has been slow, largely because of the political problems that the DRC was experiencing over the past number years, underscoring the importance of peace and security in the development of infrastructure. Nevertheless, the government of DRC is in the process of injecting some new energy into the preparation activities related to the study. The first stage will comprise a series of consultative meetings with Grand Inga stakeholders at the DRC level, then at the African Continent level, and finally at the international level. The consultative meetings will serve the dual purposes of disseminating information on Inga to all concerned and raising funds for the Grand Inga.

The DRC will need both technical and financial assistance to ensure fruitful implementation of these consultations. The Bank stands ready to provide the support and is working with relevant authorities to establish ways in which the support can be extended.

- 18 COMTEL Project: A proposal has been submitted to the Bank for consideration under the NEPAD-IPPF. The Bank and the DBSA mounted a joint mission to review the status of the project. Processing of the project for IPPF support is now at an advanced stage.
- 19 Capacity Building for RECs: The NEPAD Secretariat has commissioned the African Capacity Building Foundation to carry out a needs assessment as a precursor to interventions by the Bank and other Development Partners in supporting the comprehensive strengthening of the capacity of the RECs. The Bank is preparing an Institutional Support projects for ECOWAS and Economic Commission for Central African States (ECCAS) and for CEMAC. The Bank from June 21-25 jointly organised the JAI/ADI workshop on NEPAD and Regional Integration, at which the RECs participated.
- 20 Regional Linkages for African Energy Commission: Progress on the implementation of this flagship project has been hampered by inability of member states to ratify the AFREC protocol despite repeated appeals by HSGIC. This is becoming very a very serious hindrance to a deeper implementation of energy initiatives.

Financing of STAP Projects

- 21 Since the launch of STAP in June 2002, the ADB within 2002-2004, has financed: twelve (12) physical projects, including one private sector project, and eight (8) studies for a total Bank Group financing of US\$520 million and mobilised about US\$1.6 billion in co-financing of these projects (See Tables 2-4). For projects financed in 2002, aggregate disbursement has reached 50% signifying a high rate of implementation, while for those financed in 2003 the requisite contractors and consultants for most of the projects have now been recruited.

Table 2: Projects Financed by ADB in 2002	Total Project Cost (USD million)	ADB Financing (USD million)
<u>Studies -Transport</u>		
Tanzania/Kenya:Arusha-Namanga-Athi River Road	1.28	1.22
ECOWAS: Interconnections of Railways Networks	3.70	3.50
<u>Physical Projects-Transport</u>		
GHANA - Tema Aflao Road: Akatsi-Aflao Section	29.61	21.76
GHANA-TOGO - The Akatsi-Dodze-Noepe Road	20.72	18.83
<u>Physical Projects-Energy</u>		
MOROCCO - Strengthening of Electric Power Grid Interconnection	394.88	99.27
Nigeria-Benin: Power Interconnection Project	51.80	18.59
Mozambique-South Africa: SASOL Natural Gas Pipeline Project	800.00	80.00
Totals	1,249.99	243.37

Table 3: Projects Financed by ADB in 2003	Total Project Cost (USD million)	ADB Financing (USD million)
<u>Studies- Transport</u>		
Burkina Faso/Niger:The Dori-Tera Road	1.11	1.05
Ghana-Togo: Agona Junction-Elubo Road	1.26	1.20
<u>Studies- Energy</u>		
ECCAS: Electrical Networks Interconnection	4.02	3.73
Kenya-Burundi-Rwanda-DRC: Electricity Networks Interconnection	3.16	2.98
<u>Physical Projects-Transport</u>		
Benin/Togo - Djougou-N'dali Road Improvement	32.66	22.36
UEMOA: Mali-Burkina-Ghana: The Akatsi-Dodze-Noepe Road	255.40	100.64
Ghana-Road Infrastructure:Nsawam-Apedwa Road	35.77	21.00
<u>Physical Projects-Water</u>		
Nile Basin Water Resource Management Project	3.31	3.15
Totals	336.69	156.11

Table 4: Projects Financed by ADB in 2004	Total Project Cost (USD million)	ADB Financing (USD million)
<u>Studies - Energy</u>		
Nile Basin Initiative-Eastern Nile Power Trade	4.03	3.89
OMVG-Sambangalou/Kaletta Hydroelectric Power and Transmission	5.30	4.44
<u>Studies - Transport</u>		
Rwanda/Tanzania:Kigali-Isaka RailwayFeasibility	2.50	2.46
<u>Physical Projects-Energy</u>		
Ethiopia-Djibouti Power Interconnection Project	62.81	56.52
<u>Physical Projects-Transport</u>		
Kenya/Ethiopia: Mombassa - Nairobi - Addis Ababa Road	59.00	53.00
Totals	133.64	120.31

- 22 Infrastructure projects in the STAP in general and those currently under implementation have wider linkages to socio-economic development of the respective regions especially in the sectors of Agriculture, Tourism, Industry and rural development.
- 23 The Bank is presently considering 7 physical projects, 1 Capacity building project, and 3 Studies estimated at about US\$500 million for financing (See Table 5).

Table 5: Projects currently under Consideration for Financing by Bank Group	ADB Financing[#] USD (Million)
Guinea-Cote d'Ivoire Road Study	1.19
Trans-African Highway - Lagos-Mombasa: Nigeria-Cameroon (Abakaliki-Mamfe Section)	118.50
Senegal/Mali: Dakar-Bamako: Kati-Kita-Saraya Road	37.03
OMVS: Goubassy Power Transmission Study	3.70
Côte d'Ivoire-Mali- Electricity Interconnection	37.03
Guinea-Guinea Bissau: Boké-Quebo Road	31.11
Capacity Building and Micro-hydropower development Project	22.22
Mozambique- Malawi Electricity Interconnection	29.63
Tanzania /Kenya Road Study	1.48
SADC Shared Water Courses Support Project	17.78
Ethiopia-Sudan Electricity Interconnection Project	81.47
Zambia -Tanzania-Kenya Electricity Interconnection Project	111.10
Total Cost	492.24

- 24 Other Development Partners such as the World Bank, the European Union, France, BADEA and the Development Bank of South Africa (DBSA) are also financing and preparing STAP projects. In 2003, the World Bank approved, in credit, equity and guarantees, a total of US\$570 million for STAP projects. Details of the commitments made by the other development partners will be established during the 2004 STAP Review.
- 25 With above stated financing from the Bank, and from other organisations, about 25% of the total costs of the STAP has been financed within two years of its launch.

The Medium–Long Term Strategic Framework

- 26 The objective of the MLTSF is to provide a coherent strategic framework that will serve as the basis for defining, implementing and monitoring infrastructure development in the continent. The detailed terms of reference have been prepared by the Bank, with inputs from the RECs, the NEPAD Secretariat, the World Bank and the EU. The TOR has been disseminated to all the RECs. The study will have as its basis and starting point, existing REC strategies and programmes for the development of regional infrastructure. The study for each REC will be completed within 18 months from commencement. The Bank will manage the preparation of the study. The Bank has mobilised USD1.4m from the NTCF (who have given us a firm indication for funds) and received a firm indication of USD1m pledge from the World Bank. The balance of the study cost is proposed to be met by the Bank Group. With the financing of the study now in place, we plan to commence the study in January 2005 and be completed within the period of the STAP to ensure that there is no gap within the implementation periods of the STAP and MLTSF. The process of instituting the MLTSF would follow the same validation and political endorsement procedure adopted for the STAP.

[#] Total Project cost to be firmly determined at appraisal.

NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF)

- 27 The Bank has set up the NEPAD-IPPF, with seed funding of Can\$ 10 million provided by the Government of Canada. It is being transformed into a multi-donor facility of which the Government of Denmark has already made a contribution of USD500, 000. The facility was approved in December 2003 by the Boards of Directors of the Bank Group.
- 28 The Guidelines for the utilisation of the facility have been prepared and disseminated to all the RECs and specialised infrastructure development agencies. It has also been disseminated to all African countries. The facility was formally launched during the 10th HSGIC meeting in Maputo. Presently, the Bank is evaluating four physical projects for support by the facility.
- 29 Thirteen applications for utilization of facility have been received and are under consideration by the Bank of which four infrastructure projects, namely, Kenya-Uganda Oil Pipeline Project, Zambia-Tanzania-Kenya Electricity Interconnection Project, Benin-Togo-Ghana Electricity Interconnection Project, and the COMTEL Project have been evaluated for IPPF support. Two of these, namely, Kenya-Uganda Oil Pipeline Project and Benin-Togo-Ghana Electricity Interconnection Project have already been approved, with the other two currently passing through internal management reviews.

Other Initiatives in Infrastructure Development

- 30 ECOWAS STAP Task Force: The Bank Group is co-financing a Task Force made up of representatives of ECOWAS Secretariat, UEMOA Commission, World Bank, ADB, IFC and EU set up by ECOWAS to review the way in which projects are prepared and implemented in ECOWAS and make recommendations for the future.
- 31 Mobilization of the Private Sector: The Bank Group has participated in presentations at conferences organized by NEPAD to present the STAP to the private sector. The Bank has also featured the STAP in the road shows organized by its Private Sector Department.
- 32 2004 STAP Implementation Review: The Bank Group has commissioned the 2004 STAP review. This would build on the 2003 STAP review and highlight progress in implementation of STAP including a detailed analysis of private sector support to STAP implementation.
- 33 Seminar on NEPAD and Regional Integration: The Joint African Institute and the African Development Institute of the Bank Group held a seminar for high level officers of regional economic communities and NEPAD country focal points on NEPAD and Regional Integration with special emphasis on regional infrastructure. The seminar assisted in the dissemination of the NEPAD as well as creating a better understanding of the role of infrastructure development in economic development and regional integration.

- 34 ADB 1st Water Week: The Bank Group, from 1-3 July 2004, held its first Water Week. The Water Week set the stage for a more robust Bank involvement in tackling the water crisis in the African continent. It provided the platform to forge partnerships around the Bank's major water and sanitation initiatives. A major highlight of the Week was the launch of the ADB's Rural Water and Sanitation Initiative (RWSSI) and the African Water Facility (AWF) established by the African Council of Ministers for Water (AMCOW), and the NEPAD STAP on Transboundary Water.
- 35 Support to NEPAD Secretariat: The Bank Group is financing the secondment of a seasoned transport professional to the Secretariat to support the activities of the NEPAD Secretariat in infrastructure development.

Economic and Corporate Governance and Peer Review Mechanism

- 36 Banking and Financial Standards: The Bank Group was given a mandate by the Heads of State and Government to foster implementation of banking and financial standards under the NEPAD. The Bank developed a "Framework for the Implementation of Banking and Financial Standards under NEPAD", which was submitted to the Steering Committee in June 2002. The Framework contributed to the design of the APRM process. The Bank identified and submitted indicators and criteria for the assessments of banking and financial standards to the NEPAD Secretariat. These served as inputs to the drafting of the indicators and benchmarks for the APRM. More recently, the Bank Group is supporting the Association of African Development Finance Institutions to develop prudential standards for DFIs. The project is being largely financed by a grant from the FIRSI Initiative.
- 37 The second phase of the Bank Group's support to fostering implementation of banking and financial standards consists of providing further technical assistance under the APRM, to the country assessments. In the third phase, the Bank Group will assist countries to formulate and implement plans of actions to correct weaknesses in compliance with the standards.
- 38 Support to Countries to improve Economic and Corporate Governance: The Bank Group also has the lead responsibility for the promotion of corporate governance. In this context, the Bank developed instruments for corporate governance assessments, which were field tested before submission to, and adoption by NEPAD. The instruments would complement those being used for the assessments on compliance in the areas of economic governance and banking and financial standards. In parallel, the Bank is preparing a strategy to assist African countries to improve their corporate governance practices. The Bank is collaborating with the UN Economic Commission for Africa (ECA) in the work on economic governance, and especially on the country assessments. As part of its assistance to the APRM, following the technical assessments under the APRM, the Bank Group, as Africa's premier development finance institution, will provide assistance to countries in drawing up action plans to address weaknesses in economic and corporate governance. It will also provide technical assistance and financial support (including policy-based loans and grants) to countries towards the implementation of the actions plans to improve economic and corporate governance.

Implementation of the African Peer Review Mechanism

- 39 With the assistance of the Bank Group and other partner institutions, the APRM framework was developed and relevant documents prepared by mid-2003. The NEPAD Secretariat, in consultation with the Bank Group and other partner institutions, has advised on the use of generally accepted international criteria in the design of the assessment instruments. The effectiveness of the APRM will also depend on a combination of factors, especially the credibility of the process, which, in turn, would depend on the objectivity, fairness and consistency of the assessments.
- 40 The Bank Group (along with the ECA, and the AU specialized agencies) has been designated by the APRM Forum (Heads of State and Government) as one of the strategic partners of the APRM to assist countries in all the stages of the APRM and to work with the APR Panel and the APRM Secretariat to ensure the independence and credibility of the process. In this context, the Bank Group is providing technical support to the country assessments (self-assessments and technical assessments).
- 41 The Bank and the other strategic partners are also providing basic economic and governance data on the countries of the APRM to facilitate preparation for the assessments. To help countries prepare for the self-assessments and technical assessments, the Bank together with other strategic partners, is participating in the Country Support Missions, which are being organized by the APRM Secretariat in collaboration with the strategic partners. The support missions assess the independence of the process and mechanisms put in place by the countries to undertake self-assessments and to prepare their preliminary Programmes of Action. They also assess and advise on the proposed involvement of stakeholders.
- 42 As part of its institutional support to the APRM, the Bank is also financing a position of corporate governance expert at the APRM Secretariat and, has made a contribution of (US \$100,000) hundred thousand dollars to help finance the country assessments of the APRM. Furthermore, the Bank Group will mobilize and involve the Association of African Central Banks in the technical assessments of compliance with banking and financial standards, as part of its effort to enhance stakeholder ownership of the process. In this connection, the Bank is organizing a workshop in Johannesburg from 29th November to 1st December 2004 on 'Framework for the Implementation of Capital Adequacy Standards and Good Corporate Governance in African Banks'. The workshop, which is targeting senior bank officials and institutions assessing corporate governance in the APRM, will build capacity of central banks in the implementation of the Basle II and in assessing banking standards and good corporate governance. The Federal Reserve Bank of New York and the Financial Stability Institute, in particular, are providing resource persons. The World Bank, the IMF and selected corporate governance institutions in Africa will also make presentations.

Agriculture and other Sectors

- 43 Overall, the Bank is addressing many of NEPAD priority areas in line with its Vision. Specifically, education, health, environment, and rural development constitute priority areas of Bank Group normal operations.

- 44 In Agriculture, the Bank Group contributed in the formulation of the Framework of Regional Projects and co-sponsored the forum that reviewed the framework; participated in meetings organized to refine identified NEPAD agriculture projects; collaborates with other organisations to build the capacity of the RECs in the preparation of regional and national agricultural projects; and assists in the mobilization of funds for agriculture. The Bank is part of the Donor Support Group for assisting in the methodology, preparing and financing bankable projects and part of the specialist institutions set up to monitor the Maputo Declaration concerning governments reserving ten percent of their annual budget for agriculture.
- 45 The Bank's contribution to NEPAD in the agriculture and rural development is at both the national and regional levels. At the national level, FAO has prepared through a participatory approach, national medium term strategies for food security. To date 47 out of 49 strategies have been completed. National medium term investment programs have been completed and validated in 34 countries and about 170 bankable investment projects profiles have been identified in 41 countries of which 22 have been completed.
- 46 The Bank, in collaboration with FAO, is considering projects in Sierra Leone, Ghana, Nigeria, Uganda, Zambia and Zimbabwe in the areas of water resource use and management, natural resources conservation and management, livestock development, fisheries and aquaculture promotion, rural infrastructure development and trade-related capacities for market access, promotion of agro-processing, and improving agricultural support services. The full cost estimates, financing plan and implementation arrangements are currently being elaborated.
- 47 At the regional level, efforts are being made to harmonise the Comprehensive Africa Agricultural Development Programme (CAADP) country programs at regional and sub-regional level in cooperation with the regional bodies such as EAC, SADC and ECOWAS. Pipeline projects identified under this include the NERICA Rice and Cassava Program.
- 48 Mobilizing Civil Society and the Private Sector: The Bank Group, in 2002: organized consultations with civil society organizations on NEPAD; organized and sponsored a symposium and a workshop on NEPAD during its Annual Meeting; provided logistical support to the Government of Benin in the organization of the conference of Parliamentarians in Cotonou Benin; and provided logistical support in the organization of the ECOWAS Summit on NEPAD in Yamoussoukro.

Table 6: Projects in Agriculture and other Sectors financed by ADB (2002-2004)	
Total	US\$107.92m
Agriculture	
1. NERICA Rice Project	(US\$32.56m)
2. Water Harvesting Project in IGAD	(US\$ 1.99m)
3. Silt Control in Niger River Basin	(US\$ 4.44m)
4. Preventive Control of Locust	(US\$ 6.29m)
5. Nile Basin – Lakes Edward/Albert Fisheries Project	(US\$ 2.44 m)
6. COMESA-Agricultural Marketing Promotion	(US\$ 6.79m)

Table 6 Contd.: Projects in Agriculture and other Sectors financed by ADB	
Health	
7. HIV/AIDs Control in Countries Bordering Congo	(US\$ 8.88m)
8. HIV Initiative - Indian Ocean	(US\$ 8.99m)
Education/Social	
9. African Virtual University	(US\$ 7.49m)
Other	
10. Reform of Systems/means of Payment in UEMOA	(US\$ 9.18m)
11. ECOWAS and Regional Peace & Development	(US\$14.99m)
12. ECCAS Institutional Support Programme	(US\$ 3.88m)

Table 7: Projects in Agriculture and other Sectors under consideration by ADB
Agriculture
1. Lake Tanganyika Fisheries Development
2. SADC Food Security
3. NBI-ENSAP Irrigation and Drainage Study
Health
4. Regional Mano River HIV Aids
5. SADC Support to HIV and TB Programmes
6. ECOWAS Floating weeds–Tsetse Fly Control Project
Education/Social
7. SADC Distance Education Capacity Building
8. SADC Social Development Support