AFRICAN DEVELOPMENT BANK GROUP

MULTINATIONAL

PIDA CAPACITY BUILDING PROJECT

ONRI/GECL

November 2013

TABLE OF CONTENTS

CURRENCY EQUIVALENTS

Exchange Rate as of October 2013

UA 1	=	USD 1.53408	USD 1	=	UA 0.651856
UA 1	=	EUR 1.13594	EUR 1	=	EUR 0.880328

Weights and Measures

M	meter	KOE	kilogram of oil equivalent
Cm	centimetre = 0.01 meter	kV	kilovolt = 1,000 volts
Mm	millimetre = 0.001 meter	KVA	kilovolt ampere (1,000 Va)
Km	kilometre = 1,000 meters	KW	kilowatt = 1,000 watts
m^2	square meter	GW	gigawatt (1,000,000 kW or 1000 MW)
cm^2	square centimetre	MW	megawatt (1,000,000 W or 1 000 kW)
km^2	square kilometre = 1,000,000 m^2	KWh	kilowatt hour (1,000 Wh)
Ha	hectare = 10,000 m^2	MWh	megawatt hour (1,000 KWh)
t (t)	metric tonne (1,000 kg)	GWh	gigawatt hour (1,000,000 KWh)

Acronyms and Abbreviations

ADF	African Development Fund
AfDB	African Development Bank
AMU	Arab Maghreb Union
AU	African Union
BADEA	Banque Arabe pour le Développement de l'Afrique
BWG	Business Working Group
CEN-SAD	Community of Sahel Saharan States
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern & Southern Africa
CSP	Country Strategy Paper
CTB	Coopération Technique Belge
CV	Curriculum Vitae
DPs	Development Partners
EA	Executing agency
EAC	East African Community
EARC	East Africa Resource Centre
EC	European Commission
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
FTA	Free Trade Area
HoSG	Heads of State and Government
IAG	Infrastructure Advisory Group
IAIDA	Institutional Architecture for Infrastructure Development in Africa
ICA	Infrastructure Consortium for Africa
ICT	Information and Communication Technology
IGAD	Intergovernmental Authority for Development
M&E	Monitoring and Evaluation
MICs TF	MICs Trust Fund
MTR	Mid-term Review
NEPAD	New Partnership for Africa's Development
NEPAD-IPPF	NEPAD Infrastructure Project Preparation Facility
NPCA	NEPAD Planning and Coordinating Agency
OITC	Transport and ICT Department
ONEC	Energy , Environment and Climate Change Department
PAR	Project Appraisal Report
PIDA	Program for Infrastructure Development in Africa
PIDA CAP	PIDA Capacity Building Project
PIDA PAP	PIDA Priority Action Plan
PIU	Project Implementation Unit
PSC	Project Steering Committee
REC	Regional Economic Community
RISP	Regional Integration Strategy Paper
SA	Special Account
SARC	Southern Africa Resource Centre
SMEs	Small to Medium-sized Enterprises
SEO	Statement of Expenditure
TBT	Technical Barriers to Trade
TCBP	Trade Capacity Building Programme
TOR	Terms of Reference
TYS	Ten Year Strategy
UA	Units of account
TOR	Terms of Reference
UNDP-UA	United Nations Development Program Units of account
USD-UNDP	US Dollar United Nations Development Program
WEF USD	World Economic Forum US Dollar
QPR-WEF	Quarterly Progress Report-World Economic Forum
QPR	Quarterly Progress Report

PROJECT INFORMATION SHEET

CLIENT'S INFORMATION	
Grant recipients	**Executing Agency (EA)**
African Union Commission, On behalf of AUC, NPCA, CEN-SAD, COMESA, EAC, ECCAS, ECOWAS, IGAD, SADC and UMA	NEPAD Planning and Coordinating Agency (NPCA).

FINANCIAL PLAN	
Financier	**Amount (UA Million)**
ADF	5.00
MICs TAF	0.6
Total	**5.60**

TIMEFRAME – MAIN MILESTONES (expected)	
Concept note approval	18 June 2013
Project approval	October 2013
Effectiveness	December, 2013
Last disbursement	31 December 2016
Completion report	31 June 2017

Project Summary

Paragraph	Topics Covered
Project Overview	Project Name: PIDA Capacity Building Project (PIDA CAP). Project Objectives and Expected Outputs: The main objective of the programe is to strengthen the capacity of the AUC, the NPCA and RECs for planning, facilitation and coordination of implementation of regional infrastructure programmes and projects necessary for enhancing Africa's physical and economic integration and socio economic development. The expected outcomes are i) improved planning, coordination, facilitation and implementation of priority infrastructure programmes and projects by NPCA in particular, the PIDA PAP; (ii) strengthened delivery of integrated communication framework and policy analysis of cross-cutting-issues for PIDA by AUC; and (iii) enhanced capacity of RECs and RMCs to diagnose and monitor PIDA implementation bottlenecks and apply remedial actions. Implementation Timeframe: 2014 -2016 Project Cost: UA 5.6 MILLION Project Direct Beneficiaries: The direct project beneficiaries are the 8 official RECs of the AU (COMESA, EAC, SADC, CENSAD, ECCAS, ECOWAS, IGAD, UMA); their respective RMCs, the NPCA and AUC. AUC will receive the grant on behalf of all other beneficiairies.
Project outcomes	The project is expected to strengthen the planning, coordination, facilitation and implementation of priority infrastructure programmes and projects by NPCA. It will also support delivery of an integrated communication framework and policy analysis of cross-cutting-issues for PIDA by AUC. As an anticipated outcome of the project, the capacity of RECs and RMCs to diagnose and monitor PIDA implementation bottlenecks and apply remedial actions will be enhanced.
Needs Assessment	The rationale for the project is based on the recognition that both the RECs and Member States lack the necessary capacity to effectively navigate the myriad of issues impacting on the successful implementation of PIDA. In this regard, they require timely guidance and support on a coordinated basis to ensure that they, as individual RECs and collectively, accelerate the implementation of the PIDA PAP projects. It will help tackle the lack of capacity within the continental bodies such as the AUC and NPCA to effectively coordinate efforts as a result of absence of dedicated staff and resources to drive PIDA implementation at the continental level. PIDA is Africa's highest priority infrastructure programme having been approved by African Heads of State and Governments (HoSG) in January 2012.
Bank's Added Value	The proposed interventions under PIDA CAP are anchored in the Bank's Long Term Strategy (LTS) (20113-2011) and will complement the implementation of the RIS (2009-2013) by supporting the accelerated development of infrastructure. The Bank's added value derives from a number of factors including (i) benefitting from the Bank's regional investment and industrial work programme in ONRI as well as other Bank departments; ii) experience gained in implementing capacity building programmes such as the International Comparison Programme by ESTA in the RECs whose lessons learnt have been incorporated in the design of this programme, and (iii) the Bank's strengthened field presence which will; (a) contribute to improved portfolio management and (b) allow it to have full engagement in shaping the regional integration and infratsructure agenda in Africa.
Knowledge Management	The project will contribute to institutional development and knowledge building in the RECs, particularly in infrastructure development. Knowledge will be gained through skills and knowledge transfer from training of both public and private sector officials and beneficiary RECs, the AUC and NPCA. The Bank will capture and disseminate knowledge and experience from this programme through regular sharing of the findings of regular project review missions, monitoring and evaluation, progress reports and the Project Completion Report. Lessons learned and experience gained will be made available to inform future Bank operations.

Result-based Logical Framework

Country and project name: PIDA Capacity Building Project
Purpose of the project: To strengthen the capacity of the AUC, the NPCA and RECs for planning, facilitation and coordination of implementation of regional infrastructure programmes and projects necessary for enhancing Africa's physical and economic integration and socio economic development; and in particular the PIDA Africa's priority infrastructure programme.

	Results chain	Performance indicators: Indicator (including CSI)	Performance indicators: Baseline	Performance indicators: Target	Means of verification	Risks/mitigation measures
IMPACT	**Impact** Physical infrastructure, economic integration and intra-regional trade amongst African countries and regions enhanced	1. The share of intra-country trade to total trade among African countries. 2. Intra-regional trade growth rate 3. Africa Infrastructure Development Index	10% in 2013 12% in 2013 Lowest score of 2.79 in 2010	15% in 2017 15% in 2017 Lowest score of 3.5 in 2017	1 Economic Surveillance Reports 2. Reports of National Central Banks & RECs Secretariat	Risks: Inadequate Peace, Stability and good governance on the continent. Mitigation Measures: Effective AU peace-making mechanism Risks: Parallel initiatives by RECs Mitigation Measures: Coordination of infrastructure initiatives under the AU
OUTCOMES	**Outcome 1** Timely planning, coordination, facilitation and implementation of priority infrastructure programmes and projects by NPCA improved.	1.. Number of regional protocols and resolutions adopted in relations to PIDA PAP	3 RMCs/RECs actively driving PIDA PAP implementation No Centralized database for capturing PIDA-related protocols within the region. 5% PIDA PAP implementation	All 8 RECs actively driving PIDA PAP implementation by 2017 Centralized database for capturing PIDA implementation by 2017, with gender disaggregated statistics 10% of PIDA PAP implemented	1. Economic Surveillance Reports 2. Reports of RECs & NPCA Secretariat 3. PIDA PAP Implementation Reports	***Risk 1:*** Lack of REC ownership and capacity to interact ***Risk 2:*** Difficulties in obtaining and sustaining political will and momentum on priority projects; **Risk 3**: Failure to attract increased financing for priority projects **Risk 4**: Weaknesses to attract and retain skilled personnel 5. Poor selection of training attendance by RECs **Mitigation:** **1.** Strengthen capacity of AUC, NPCA, RECs and RMCs to synchronize PIDA activities 2 High level consultations and follow up with leadership provided by HSGOC; 3. Increased involvement of stakeholders in resource mobilization roundtables. 4. Enhanced human resource management architecture 5. Training screening tools developed by RECs and NPCA.
	Outcome 2 Implementation of integrated communication framework and policy analysis of cross-cutting-issues for PIDA by AUC strengthened.	1. Integrated PIDA PAP communication framework 2. Number of PIDA policies and protocols	Integrated communication framework in place, but not implemented No policy analysis framework	8 RECS implementing an integrated communication and policy analysis for PIDA PAP by 2015	1. Progress reports from AUC, NPCA and the RECs.	
	Outcome 3 Capacity of RECs and RMCs to diagnose and monitor PIDA implementation bottlenecks and apply remedial actions enhanced	1. Implementation measures taken 2. No of projects rolled over till financial closer for each sector	No measures exists 5% in 2013	Measures equals to bottlenecks identified 10% in 2013	PIDA PAP Implementation Reports from NPCA and the RECs PIDA PAP Fiches	
	Outcome 4 Enhanced Capacity to monitor and evaluate capacity related to PIDA implementation	1. Number of monitoring reports 2. Audit Reports	No report exists in 2013	12 reports by 2017	Monitoring Reports MTR Report Audit Reports	

OUTPUTS	**Component 1** Technical Assistance Support to NPCA for planning and coordination of continental PIDA PAP programmes and projects. • PIDA PAP implementation framework in place • regional protocols and resolutions adopted in relations to PIDA PAP • People trained on PIDA issues (of which 30% is female)	Number of RECs using an integrated planning and implementation for the PIDA PAP No. of sector experts in NPCA Skills development action plan for PIDA drafted & approved Regular IAG meetings	No RECs in 2013 1 sector expert in 2013 No plan in 2013 No IAG meetings in 2013	8 RECs by 2015 5 sector experts in place by 2014., financed by NPCA budget by 2017 1 integrated plan by end of 2014 30% of trainees are female 2 annual IAG meetings by 2014	1. RECs PIDA PAP work-plans 2. NPCA Annual Reports, inc. staffing annexes	***Risk:*** *R*equired project coordination and implementation capacity of NPCA does not materialize. **Mitigation:** Technical experts and project management teams are in place.
	Component 2 Support to AU to implement PIDA communication and cross-cutting issues • PIDA PAP communication framework effectively implemented • PIDA policy Analysis framework designed and implemented	Existence of PIDA communication and policy frameworks. Number of experts implementing those frameworks	No policy frameworks in place 1 expert in place	In place by- 2017 3 experts In place by 2014 and financed from AUC budget by 2017	Recommendations to HGSOC for directives. Frameworks/protocols adopted Annual reports	
	Component 3 Enhancing RECs and country level capacity • Diagnostic studies implementation measures taken • Trained professionals at RECs and RMCs for PIDA PAP implementation • PIDA Programs harmonized with Bank support	Number of project specific diagnostic studies Number of trained professionals at RMC/Project Unit level for implementation and at REC level for monitoring of PIDA PAP implementation Number of programs harmonized with Bank support	PIDA Study Limited training undertaken No harmonized programme in place	PIDA Fishes updated: - Yearly in 2014 - bi-annually in 2015 - quarterly in 2016 100% of REC infrastructure professionals trained 100% of harmonized programmes by 2017	% of corrective actions achieved Levels of training achieved Level of harmonization achieved	
	Component 4 Project management including M&E of PIDA PAP programmes/projects by NPCA • Monitoring reports • Audit Reports	Progress reports and audits of projects produced in a timely manner M&E framework Gender aspects covered in all interventions	Limited expertise in NPCA 2013 No PIDA Coordination Unit in 2013 No Gender Advisor	Raise levels of expertise 2014 Quarterly reports to the Bank 1 Gender Advisor recruited	Assessment and Audit reports.	
KEY ACTIVITIES	**COMPONENTS**				**INPUTS**	
	Component 1: Technical Assistance Support to NPCA for planning and implementation coordination of continental PIDA PAP programmes and projects. Component 2 : Support to AU to implement PIDA communication and cross-cutting issues Component 3: Enhancing RECs and PIDA Core Teams' capacity to implement PIDA Component4: Project management including M&E of continental and regional PIDA programmes/projects by NPCA				• ADF Grant = UA 5 million; MIC TAF = UA 0.60 • Missions: Appraisal, supervision, MTR and donor coordination • Capacity building by AfDB and other Development Partners	

PROJECT IMPLEMENTATION SCHEDULE

Major Activities	2013		2014												2015												2016												2017		
	Oct.-Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	August	Sept.	Oct.	Nov	Dec.	Jan.	Feb.	March
Grant approval																																									
Grant signature																																									
Preparation for Grant effectiveness																																									
Project launch																																									
Recruitment of experts (EOI, Adverts, TORs, RFP, upto signature)																																									
Project implementation to Mid-Term Review and updating of design and TORs																																									
MTR																																									
Project realignment																																									
Project implementation to completion																																									
Project completion and reporting																																									

REPORT AND RECOMMENDATIONS OF THE MANAGEMENT TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT FOR THE IMPLEMENTATION OF THE PIDA CAPACITY BUILDING PROJECT (PIDA CAP).

Management submits the following Report and Recommendations on a proposed MICs Trust Fund and ADF Grant for UA 5.6 million to finance the PIDA Capacity Building Project (PIDA CAP).

I. STRATEGIC THRUST AND RATIONALE

1.0.1 The Abuja Treaty of 1991 espoused the creation of an African Economic Community that would lead to an integrated, inter-connected and prosperous continent. The 8 African Union official Regional Economic Communities (RECs) (namely: IGAD, ECCAS, CENSAD, COMESA, EAC, ECOWAS, UMA and SADC) are the building blocks for achieving this objective.

1.0.2 Numerous analyses, including the most recent study on the Programme for Infrastructure Development in Africa (AfDB, 2012), have highlighted the fact that one of the biggest constraints to Africa's growth and competitiveness is infrastructure systems that are fragmented, inadequate and underperforming. For example, the PIDA Study estimates that Africa's annual losses due to inefficient infrastructure stand at USD 172 billion, which amount would be saved if infrastructure were improved. The lack of adequate infrastructure in Africa is thus widely recognised as a major impediment to Africa's sustainable development.

1.0.3 In response to this continental challenge, the African Union Commission (AUC), in partnership with the United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB), formulated the Programme for Infrastructure Development in Africa (PIDA). This initiative, based on regional projects and programmes, will help address the infrastructure deficit that severely hampers Africa's competitiveness both internally and in the world market. This project is part of the Banks's contribution towards tackling this continental imperative.

1.1 Programme Linkages, with Regional Strategy and Objectives

1.1.1 The project will be anchored on the operational priorities of the Bank's Ten Year Strategy (TYS) and the Regional Integration Strategy (RIS). The Bank's strategy is well aligned to the key priorities of the AUC/NPCA and RECs. Following preliminary discussions with officials and key stakeholders, as well as interventions of other development partners in Africa, the current RIS places emphasis on: (i) infrastructure development; and (ii) enhancing institutional capacity and skills.

1.1.2 The proposed project areas of focus are aligned to the five key Bank strategic areas of the Bank's TYS: (i) developing priority infrastructure; and (ii) creating an enabling institutional environment for private sector development; (iii) social inclusion as well as gender equity defined by better governance and accountability in development; (iv) skills and technology and (v) regional integration. The proposed areas of project focus intersect with all five operational priorities and areas of special emphasis of the TYS. It will also support the majority of the RECs' own plans that prioritise infrastructure, regional integration and social inclusion.

1.1.3 The proposed project is consistent with the Abuja/AU objectives that specifically include the elimination of all trade barriers, harmonisation of procedures and trade facilitation instruments, joint infrastructure development, establishment and maintenance of an institutional framework for implementation and administration of the Continental Free Trade Area (CFTA) and building competitiveness at the regional, national and enterprise levels. These objectives have a developmental approach to regional integration and are anchored in the three core pillars i.e. market integration, infrastructure and industrial development,that make up the strategic frameworks driving the Bank's work, and which have a number of important linkages to the development ambitions of the African continent such as the New Partnership for Africa's Development (NEPAD).

1.1.4 NEPAD was set up in July 2001, as a programme of the African Union to spearhead the development of an integrated socio-economic development framework for Africa. Following the transformation of the NEPAD Secretariat into the NEPAD Planning and Coordinating Agency (NPCA), the African Union now has a technical organizational unit, with a reinforced mandate focusing on effective delivery of priority regional and continental programmes and projects. However, lack of adequate funding and staffing have severely constrained the operations of the agency, in particular the installation of core technical capacity as well as the requisite tools and systems to deliver on the objectives of the programme. The same shortfall was diagnosed at the level of RECs. It is in this context that the Bank was formally requested to assist in the enhancement of capacity of all parties driving the development of regional and continental infrastructure, particularly in light of the advent of the PIDA.

1.2 Rationale for the Bank's Involvement

1.2.1 This programme, based on regional projects and programmes, will help address Africa's infrastructure deficit. The project responds to the Bank's commitment to create a well-connected, economically prosperous and peaceful Africa, in line with its approved Regional Integration Strategy Papers (RISPs) and Africa's structural transformation as outlined in the TYS.

1.2.2 The project is a Regional Public Good (RPG) (see Annex 2) as it will yield direct utility by accelerating the physical connectivity and regional integration of the continent. It will strengthen the drive towards CTFA commercial activities and boost intra-Africa trade by providing the necessary infrastructure for businesses to transact efficiently, both regionally and continentally. Furthermore, the provision of energy, water, transport and ICT platforms to establish outreach to rural communities and enterprises will directly benefit the continent's population by establishing a sustainable development trajectory, leading to more inclusive growth. There is a need to accelerate the physical and regional integration of the continent via initiatives such as this project. The recently completed PIDA Study estimates that an infrastructure-integrated Africa would expand its economy six-fold by 2040.

1.2.3 Weaknesses in value chain development, regulatory and policy convergence within Africa undermine efforts to move towards a CFTA: Intra-regional trade in Africa remains very low compared to other developing regions. The regional supply chains and production networks of Asia, often known as "Factory Asia," or "Innovation Floors", remain underdeveloped in Africa. Most African economies are still dependent on the export of primary products based on a limited number of extractive sectors. This situation gives rise to low levels of trade complementarity and, by extension, low intra-regional trade. This situation is further exacerbated by poor physical connectivity across Africa. Enhancing physical connectivity is critical for sectoral diversification and value-chain development.

1.2.4 In various regional fora intended to align PIDA to regional infrastructure programmes, Infrastructure Ministers called for urgent action to address three critical factors impacting on the delivery of infrastructure programmes in Africa in general:

a) Lack of capacity within the continental bodies such as the AUC/NPCA to effectively coordinate efforts, which is a result of the limited resources to drive PIDA implementation at the continental level.

b) Poor capacity at the level of RECs and Member States to effectively drive the realisation of the project, given its complex nature and the need to unbundle it into manageable components for implementation. In this regard, AfDB, German Technical Assistance (GIZ) and other development partners are formulating a number of capacity building interventions. To this end, a road map has been developed by all partners to deal with the capacity constraints, including supporting budgets; and

c) The capacity for coordination of interventions has also been weak.

1.2.5 The capacity building programme is based on the Institutional Architecture for Infrastructure Development in Africa (IAIDA) which was approved by African Heads of State and Government in January 2012 as the accompanying institutional mechanism for the implementation of PIDA. To be successful, PIDA needs to be implemented using a public-private consultative partnership approach involving continental bodies, RECs and Member States. The PIDA Project Steering Committee (PSC) comprising AUC, NPCA and AfDB, together with the Infrastructure Advisory Group (IAG), provide the mechanism to promote informed partnership and dialogue involving the continental bodies, RECs and RMCs. The Sandton Road Map, endorsed by RECs, defined the institutional capacity requirements for accelerating the delivery of PIDA. The project arose from these needs.

1.2.6 The project emphasises "quick-win" and early-start projects, selected on the basis of a set of criteria for boosting economic development and establishing regional markets. The project is crucial to: a) address the capacity gaps highlighted above to facilitate PIDA PAP implementation, b) accelerate PIDA PAP delivery, and c) respond to the PIDA Implementation Road Map, agreed to by all parties including the RECs.

1.2.7 In order to sustain current initiatives and maintain synergies with similar programmes, the project will foster links with on-going initiatives and help integrate them within the AUC/NPCA and the RECs, as well as with other initiatives. These include:

i. **Database with gender disaggregated statistics:**
   - Deposit data from PIDA study currently with AfDB to NPCA who will manage the overall Africa Infrastructure Database (AID).
   - Align the development of PIDA Virtual Information Centre (VPic) with information of detailed project profiles being developed.
   - Synergies with the Africa Infrastructure Knowledge Programme (AIKP) formerly Africa Infrastructure Corridor Diagnostic (AICD) managed by ESTA and ICA

ii. **Communication:**
   - Migration of the PIDA Communications Strategy as well as PIDA website developed by AfDB to the AUC Directorate of Communications and Information

iii. **Coordination:**
   - Synergies and complementarity with GIZ capacity building support to AUC/NPCA;
   - Synergies with the Tripartite Capacity Building Project (EAC, COMESA, SADC);

1.3 Donor Coordination

1.3.1 of donors are active in supporting infrastructure and regional integration efforts in Africa and these include DfID, EU, USAID, GIZ and AfDB. Notable among them is GIZ who have been providing administrative, technical and financial support to the AUC and NPCA. PIDA is in line with the Paris Declaration on Aid Effectiveness principles and the Accra Agenda for Action (AAA) as it defines the framework for infrastructure development in Africa. Most of the donors are providing support for hard infrastructure development while the proposed project focuses on soft infrastructure development and capacity building to facilitate regional integration. Discussions were also held during the Appraisal Mission with AUC/NPCA, GIZ and other partners to ensure that there is no duplication of activities, and that synergies are built in supporting ongoing PIDA capacity building-related activities.

1.3.2 The current institutional arrangement for the roll out of PIDA is based on: a) Institutional Architecture for Infrastructure Development in Africa (IAIDA), b) Infrastructure Advisory Group (IAG), c) Council for Infrastructure Development (CID) and d) PIDA Steering Committee. The institutional arrangement has two key components: Decision-making component – whose core is the Council for Infrastructure Development (CID); and PIDA implementation. The AUC provides strategic policy for the PIDA Priority Action Plan (PAP); and implementation on the ground will be led by Member States, directly or through dedicated project units, under the coordination of their respective RECs and national level agencies.

1.3.3 The Sandton Road Map of 2012 focuses on: (i) Resources mobilisation to support PIDA PAP project preparation activities; (ii) Capacity building of the pan-African institutions (RMCs, RECs, AUC/NPCA) for project preparation, project management, and for PIDA PAP implementation, oversight and monitoring (M&E); and (iii) Implementation of the governance structure of the IAIDA architecture as adopted in January 2012 by Heads of State and Government.

II. PROGRAMME DESCRIPTION

2.1 Programme Objectives and Components

2.1.1 The overall development objective of the project is to enhance the resource capacity of regional and continental bodies in coordinating and facilitating the implementation of priority regional infrastructure projects, thus accelerating the drive for economic integration for the African Continent. It is anchored on the continental primary objectives of eradicating poverty, through enhancement of physical infrastructure and economic integration. The project is expected to strengthen the capacity of the AUC, the NPCA and RECs for planning, facilitation and coordination of implementation of regional infrastructure programmes and projects necessary for enhancing Africa's physical, economic and socio-economic integration.

Project specific objectives:

(i) To assist the NPCA in building its internal capacity to better deliver on its coordination mandate, with a focus on the implementation of priority regional and continental programmes and projects in Africa with a focus on PIDA.

(ii) To assist the AU in building its core oversight, communication and policy capacity for addressing enabling environment and cross-cutting PIDA requirements.

(iii) To assist the RECs and their member countries in identifying PIDA implementation bottlenecks and formulating and applying remedial measures to alleviate them so as to accelerate the implementation of the PIDA PAP.

2.1.2 The project is selective, demand driven and tailored to the needs of NPCA, AUC and RECs. The project is part of the Bank's broader response to the constraints identified from extensive consultations with the RECs and RMCs in the framework of IAIDA and the subsequent Sandton Road Map. The project will support capacity development in technical and analytical work to enhance the preparedness of continental partners – especially the NPCA, AUC and the 8 AU recognised RECs to move the PIDA PAP to financial closure. The project will enable the formulation, by RECs, Member States, partners and the private sector, of sequenced priorities and clear planning as well as coordinating objectives and accelerating progress towards the PIDA PAP implementation. The project will also support analytical work to help inform the IAG and Private Sector actors on their responsibilities to engage governments to initiate policies and regulatory frameworks necessary for delivering a physically connected and socio-economically integrated Africa in line with the Abuja Treaty of 1991.

Project components:

2.1.3 The project is designed as a strategic (three-year) capacity building support for the AUC, NPCA and RECs; aimed at enhancing their technical and operational capacity to accelerate the delivery of the PIDA PAP. The support will use ADF and MICs Trust Fund Grant resources. The project budget (net of taxes and duties) is UA 5,600,000 (around USD 8,960,000.00), including provision for an audit to be undertaken on the Grant, and a contingency provision. The project has four components covering:

(i) **Component 1**: Technical Assistance to NPCA in order to establish an Infrastructure Unit, by: providing infrastructure experts to deliver technical advice on the implementation of PIDA PAP (TORs in Technical Annex), the cost of operational activities such as missions, coordination meetings/workshops and donor roundtables related to the delivery of PIDA PAP; and skills development as well as project management making up the total of UA 1,212,884 and contingencies of UA 100,684;

(ii) **Component 2**: Technical Assistance to AU for UA 541,250 to implement PIDA enabling environment, communication and cross-cutting issues; strengthening communications and policy analysis. The AUC will be responsible for mobilising political support and working with African governments to ensure that environment issues such as the regulatory framework for infrastructural development are resolved.

(iii) **Component 3**: Enhancing RECs and PIDA Core Teams' capacity to implement PIDA for UA 3,652,500; The focus will be on skills development and institutional, policy and regulatory reforms hinged on targeted and results-driven policy dialogue to resolve bottlenecks to effective delivery of PIDA across Africa; and

(iv) **Component 4**: Project management including M&E as well as Audit will be a core function of NPCA. Project implementation monitoring, evaluation and reporting will be essential. The budgeted cost is UA 92,681.

Project activities:

2.1.4 A number of activities are expected to be undertaken and outputs achieved. There will be need for careful prioritisation in this respect. This will be done in the process of developing the detailed REC level work plans to be endorsed by the IAG (see implementation arrangement below) to mutually agree on the most urgent priorities where results can be attained within the three-year period of the Grant. It is planned that after execution of the Grant Agreement between the AUC and AfDB, a project preparatory meeting involving AUC, NPCA and AfDB management will be organised to jointly agree on the finalisation of the Work Plan, ToRs and related priority activities agreed with the RECs as part of the Sandton Road Map for implementation under this new partnership (through annual work plans); taking into account the immediate and urgent priorities to be outlined below.

2.1.5 To facilitate implementation of the effective institutional transformation of AUC/NPCA, RECs and RMCs, the services of long-term consultants and specialists will be engaged, serving for the duration of the project, in the areas and numbers indicated below:

- AUC (1 Communication Assistant, 1 Policy and Regulatory Reform Specialist)
- NPCA (4 Infrastructure Specialists, 1 Procurement Assistant, 1 Accountant, 1 Human Resource Assistant, 1 M&E Specialist, and 1 Gender Advisor)
- RECs (16 Infrastructure Specialists in energy, transport, ICT or water, depending on the context of each REC), of which:

- 10 infrastructure specialists will be for the 5 RECs – ECOWAS, CENSAD, ECCAS, IGAD and UMA (each having 2 specialists);
  - 6 infrastructure specialists will cover the Tripartite RECs (with 1 specialist each in SADC and EAC; 2 specialists in COMESA and another 2 in the Tripartite PPIU); and
  - There will be differentiation in the skills mix at the level of the RECs depending on their capacity requirements, and these needs will be translated in differentiated tasks to be detailed in RECs specific annual work-programmes/plans.
- Short-term consultancies will also be engaged as the need arises during the continued implementation of the transformation process of the various partners.

2.1.6 The cost of the project was estimated on the basis of rates and unit costs for similar activities. The detailed cost estimates are contained in Annex 1. The key activities under each component are summarised in Table 2.1 below.

Table 2.1: Project Components: Detailed description by component

Components	Cost in UA	Description of Major Activities
Component 1: Technical Assistance to NPCA Infrastructure Unit	**1.314 million**	• Provide technical advice on PIDA related issues • Support skills development of NPCA, staff for PIDA PAP implementation • Install and implement IT software and systems to support the operations and management of the VPIC • Develop project work plans • Develop procedures and work plans for PIDA PAP-related interventions for/with the RECs • Organise continental PIDA coordination meetings • Contingencies
Component 2: Support to AUC Infrastructure Directorate.	**0.541 million**	• Support coordination and harmonisation of national positions and facilitate information flows on the PIDA PAP implementation process. This will result in a common understanding of various protocols on infrastructure in Africa • Coordinate cross-cutting and environmental issues around PIDA implementation • Conduct analysis of the political processes for PIDA PAP implementation. • Provide technical support to enhance political analysis and communication by AUC Infrastructure Directorate
Component 3: Enhancing RECs and PIDA Core Team's' capacity to implement PIDA	**3.653 million**	• Develop and implement Regional PIDA CAP Work Plans • Support skills development for RECs staff and the PIDA Core Teams for PIDA PAP implementation • Conduct training on best practices in infrastructure project management • Support regional PIDA PAP implementation and coordination meetings in specific REC
Component 4: Project Management	**0.93 million**	• Implementation, coordination and monitoring of the project • Financial and administrative management and reporting of the project • Preparation of the audit and activity reports as well as work plans • Technical management and reporting of the project

2.2 Technical Solution Retained and other Alternatives Explored

2.2.1 The technical solution retained is based on the specific architecture of the IAIDA and the Sandton Roadmap. The participating RECs have differing institutional and technical capacities to effectively carry out conclusive implementation of the PIDA PAP – which covers a broad spectrum of technical areas. Hence, the approach adopted under the project entails focusing on limited REC-specific challenges in the implementation of the PIDA PAP and targeting support towards their resolution. The NPCA will sign subsidiary MoUs or Implementation Agreements with each participating REC to ensure that the RECs are tied to specific time-bound deliverables and also to take into account the diversity and peculiarities of each REC.

2.2.2 Alternative solutions considered in the design of the project and the reasons for their rejection are summarised in table 2.2.

Table 2.2. Programme alternatives considered and reasons for their rejection.

Alternative Solution	Brief description	Reason for rejection
Provide support to RECs as a group	This approach would target RECs collectively.	The approach ignores the specificities of each REC and various levels of their institutional 'maturity'. Indeed, the differentiation in the capacity of RECs was confirmed during the appraisal process thus informing the current technical solution.
Target Member States for capacity support in the various PIDA PAP implementation areas.	Specific country needs will be identified and support will be channelled at the country level.	Approach precludes mutual learning and spreads resources too thinly. It also departs from the regional approach PIDA is intended to promote.
Provide capacity support to the RECs/RMCs without due regard to the existing support and assistance from other development partners.	Bank would engage in policy dialogue with RECs/RMCs and then roll out the support expeditiously in collaboration with other donor partners.	Approach would not optimise resource allocation but instead lead to duplication of efforts.

2.3 Project Type

The project is a regional/multinational operation that meets the requirements of regional public goods (RPG). The table 2.3 below summarizes the compliance with RPG requirements.

Table 2.3 Compliance with RPG requirements

Criterion	Evaluation
Non-rivalry	Once the VPIC and PIDA project fiches databases are developed, the benefits will accrue to all African countries.
Non-exclusion	Trans-boundary infrastructure will benefit African countries which trade among themselves thereby contributing to intra-Africa trade growth. Enhanced transparency in infrastructure contract and regulatory regimes will be an important step towards regulatory convergence which is fundamental to the elimination of unnecessary barriers to PIDA PAP implementation.
Of public interest	The 8 RECs have been consulted at all stages of project preparation and have agreed to work towards establishing a robust PIDA PAP implementation framework. This will speed other continental priorities such as trade integration and enhancement of food security benefiting the general population of the continent as well as opening up opportunities for business.
Multi-country involvement	The member countries constituting the 8 official RECs of the AU will benefit from the technical training and skills development; the development of physical and socio-economic integration due to PIDA PAP implementation leading to more inclusive growth and poverty alleviation in Africa
Strategic alignment with Bank work	The project is in line with the Bank's TYS (2013-2022) which seeks to support regional integration in Africa for sustainable and inclusive growth as well as integration with the global economy. It is also in line with the Bank's regional integration strategy that places emphasis on harmonised policy, capacity building and dissemination of good practices within the RECs.
Catalytic & upstream role	The PIDA PAP process will go beyond the time-frame of this programme, which will create a sustainable framework for PIDA PAP implementation going forward.
Incremental Benefit in Cooperating	The project will help NPCA, AUC and the RECs as well as Bank's RMCs improve the coordination of regional policies and programmes around infrastructure, facilitate regulatory policy convergence and foster regional integration.

2.4 Project Cost and Financing Arrangements

2.4.1 The estimated total cost of the project, net of taxes and duties is UA 5.6 million. Counterpart contribution by the NPCA is in the form of office space and office supplies at its headquarters in Pretoria, South Africa, for the efficient functioning of the project. The Secretariat will also cover internet connectivity and communication costs. Through the various MOUs, the RECs will provide similar in-kind contributions during the implementation of the project. Technically this is non-existent, as it is already part of the current 'fixed' costs of these agencies. The AUC will also provide similar in-kind counterpart contribution.

2.4.2 The cost estimate includes a contingency budget line. A summary of cost by component of the project is presented in Table 2.4. Tables 2.5 and 2.6 provide sources of funding and the component allocations respectively.

Table 2.4 Project cost estimates by component (in USD)

Project categories	Total Cost	Bank Financing	Procurement/ Selection Method
Total Amount of ADF Grant **Total Support to NPCA** **Total Support to RECs & Core Teams** **Total Support to AU**	 **1,406,250** **3,652,500** **541,250**	**5,600,000**	-
NPCA- Technical Assistance Services – staffing (4 infrastructure experts and 1 Procurement Assistant, 1 Accountant)	855,350	855,350	Shortlist NPCA/AU recruitment procedures
NPCA- Operations including Coordination; Meetings/Workshops	357,534	357,534	NPCA/AU procedures
NPCA- Project Management including Equipment, Communication, Audit and M&E, Including contingencies	192,366	192,366	NPCA/AU procedures LCS* for Audit
Support to RECs & PIDA Core Teams for PIDA implementation	3,652,500	3,652,500	NPCA and RECs procedures
Direct Support to AU Communication, Policy and Regulatory Activities	541,250	541,250	NPCA/AU procedures

Table 2.5 Sources of financing (in UA)

Sources of Financing (UA)	**FE**	**%**	**LC**	**%**	**Total**	**%**
ADF Grant	5,000,000	89.28	n.a.	n.a.	5,000,000	89.28
MICs TAF Grant	600,000	10.72	n.a.	n.a.	600,000	10.72
Total	5,600,000	100	n.a.	n.a.	5,600,000	100
Percentage of beneficiary contribution in kind	n.a		n.a.	n.a.	n.a	

2.4.3 The cost of the project by category of expenditure is presented in Table 2.6

Table 2.6 Project expenditure schedule (USD million)

Components	2014	2015	2016	Total
Component 1: Technical Assistance to NPCA	404,295	404,295	404,295	1,212,884
Component 2 : Technical Assistance to AUC	180,417	180,417	180,417	541,250
Component 3 : Enhancing RECs and PIDA Core Team's' capacity to implement PIDA	1,217,500	1,217,500	1,217,500	3,652,500
Component 4 : Programme management by NPCA	30,894	30,894	30,894	92,681
Total base cost	1,833,105	1,833,105	1,833,105	5,499,316
Contingency to NPCA	33,561	33,561	33,561	100,684
Total	**1,866,667**	**1,866,667**	**1,866,667**	**5,600,000**

2.5 Programme's Target Area and Population

The immediate beneficiaries of the project will be AUC/NPCA and the 8 official RECs recognized by the AU (IGAD, ECCAS, CENSAD, COMESA, EAC, ECOWAS, UMA and SADC) whose capacities to effectively manage the technical work necessary for the PIDA PAP implementation are expected to be enhanced. Additionally, public sector officials and private sector operators from the RMCs will benefit from the project components within the context of IAIDA. All training sessions as well as recruitment will be guided by principles of gender sensitivity and equal opportunity. RMCs and their populations will benefit from the improved infrastructure. All stakeholders to Africa's development will also benefit from improved and more accessible information on infrastructure in Africa to inform and improve the quality of their interventions or investments.

2.6 Participatory Process for Project Identification, Design and Implementation

2.6.1 The process of project design was highly participatory and therefore reflected the collective and shared vision of AUC/NPCA and the RECs. A Road Map has been developed as a result of this approach. The project is also anchored on consensus arrived at during the appraisal visits to AUC, NPCA, ECCAS, COMESA and ECOWAS.

2.6.2 RECs will be closely involved during the implementation of the project, as their activities will be integrated into the work programme. The M&E framework will be defined and managed by NPCA, as the Executing Agency. Each REC will operationalise the relevant aspect of the overall M&E framework. NPCA's role is to ensure that each REC complies with the M&E framework through oversight and targeted training as appropriate. NPCA will also submit regular reports to the Bank, through the PIDA Steering Committee.

2.7 Bank Group Experience, Lessons Reflected in Programme Design.

The design of this project has benefitted from Bank experience and from previous operations, reviews of numerous analytical reports (Bank Evaluations of Multinational Operations (MOs) and Regional Project Performance Reports such as the Development Effectiveness Reviews, and discussions with other development partners engaged in PIDA-related activities. The major lessons and how they have informed the design and implementation of this operation are summarised in Table

Table 2.7 Lessons learned reflected in Project Design

Lessons learned	Action taken to integrate lessons into the PAR
1. Simplified grant conditions and need for close project management and follow-up to ensure quick grant effectiveness and project start-off.	Grant conditions are simple. The grant will become effective after the signature of the Grant Protocol of Agreement while a launching mission will be fielded to ensure quick project start-off.
2. Need to carefully assess and choose the most appropriate procurement methods.	The procurement methods for all categories of expenditure will be guided by Bank Procurement Procedures and have been carefully chosen in close consultation with the Executing Agency – the NPCA.
3. Need to ensure relevance of topics and quality of training materials.	During project implementation, proposals of consulting/regional firms shortlisted to provide training will be carefully assessed in terms of relevance of topics and quality of teaching staff. During delivery of training programmes, the relevance and quality of teaching materials will be assessed. Participants will also evaluate the consultants' performance at the end of each course.
4. Need to develop and to tie the beneficiaries to time-bound deliverables through work plans	Work plans will ensure that staff based in the RECs focus on project activities, and not be absorbed into other REC work. It will also ensure accountability on deliverables. The experts will report to NPCA as Executing Agency for their overall Work Plans and to the Heads of Infrastructure in the respective RECs for day-to-day reporting. Also the experts will be tied to prior agreed work plans and develop their own, aligned to the main work plans so that they are bound to specific work streams and deliverables focused on the PIDA PAP.
5. Need for effective oversight, monitoring, evaluation and reporting	The PIDA Project Steering Committee (AUC, NPCA and the Bank) will provide oversight and monitor progress. The NPCA and RECs will report regularly though quarterly and audit reports to the AfDB and to the PSC. The Bank will also field supervision missions. This will ensure that issues and challenges are anticipated and resolved in a timely manner.
6. Need for close coordination and harmonisation of Bank's interventions with those of other development partners.	The Appraisal Mission noted that the NEPAD Agency is managing a number of other donor funded projects and in particular, a GIZ project which also supports infrastructure. There are indications that from 2014 onward, GIZ will have increased emphasis on infrastructure and specifically, PIDA. The NPCA will coordinate the various donor initiatives effectively to avoid overlap and to ensure synergies and optimisation of impact of the various donor interventions. A clear mechanism for donor coordination and division of labour across donors will be put in place by NPCA as a core element of project implementation.
7. Communication and information is crucial for project success	The project will facilitate communication and the sharing of lessons and best practices, give visibility to the project and its activities as well as promote informed public-private sector dialogue.

2.8 Key Performance Indicators

The project's results-based logical framework contains key impact and outcome indicators. The main expected results relate to: (i) improved effectiveness in addressing capacity constraints in AUC/NPCA and the RECs to undertake PIDA-related activities; and (ii) enhanced capacity at the continental level for PIDA PAP implementation. The readiness assessment (or study/data gathering on capacity-related issues) will establish the baseline and the performance standards and will also help set the targets. Progress towards achieving results will be monitored annually through project reports and operational plans and through the monitoring and evaluation system put in place by the RECs.

III. PROGRAMME FEASIBILITY

3.1 Economic Performance

3.1.1 This project is an institutional support and technical assistance intervention; thus traditional economic and financial analysis (seeking to capture Net Present Values) does not apply. However, it is expected that the project will contribute to increased intra-African cross border trade, improved competitiveness of local producers and enhanced integration of the constituent economies due to improved physical infrastructure as a result of connectivity, from increased levels of financial closure and implementation of the PIDA PAP. The resulting enlarged market will also be conducive to more productive investments, stronger and more inclusive economic growth benefiting both large and small businesses.

3.1.2 The project will also support enhanced infrastructure analytical and facilitation skills through human resource capacity transfer, thereby ensuring that the benefits will be sustained over time. Project staff will be integrated into the structures of the RECs, AUC and NPCA, and this will facilitate sustainable absorption of skills ensuring continuity after project completion.

3.2 Environmental and Social Impacts

3.2.1 **Environment and climate change:** The project has exclusive focus on technical assistance and institutional support to improve coordination and implementation capacity of NPCA, AUC and the 8 RECs and create a favourable environment for infrastructure development in Africa. There is no direct environmental impact. The project has been classified under category 3 requiring no mitigation measures. Any environmental impact issues arising from the implementation of the actual PIDA projects will be addressed within the contexts of the individual said projects.

3.2.2 **Gender**: A number of studies suggest that there is differentiated access to use of and control over infrastructure facilities and services by men and women, linked to inequalities in intra-household relations, property rights and cultural restrictions. Unfortunately infrastructure projects are often gender insensitive because it is assumed that women and men will automatically equally benefit from new infrastructure, without due acknowledgement of the full range of social and economic impacts, whether positive or negative. Too often, the positive outcomes experienced by women through infrastructural projects are unintended and unplanned. Well-designed, appropriately located and affordably priced infrastructure can be a powerful tool in achieving gender neutral opportunities. Therefore, gender mainstreaming should not only be regarded as a factor requiring attention in infrastructure projects, but rather must be considered as a critical factor in the project’s success and sustainability by ensuring that women do not become worse off both absolutely and in relation to men due to male-bias in infrastructure project design and management. The proposed operation will enhance gender mainstreaming into PIDA and broader development programmes. In addition, the resulting regional infrastructure connectivity will facilitate cross-border trade, both formal and informal. Indeed, women are the major players in cross-border trade. Gender mainstreaming will be achieved by ensuring gender disaggregated statistics are provided and closely monitored. Furthermore, all training programmes aim to have at least 30% women participants and a Gender Advisor will be recruited under this project to oversee gender-in-infrastructure issues.

3.2.3 **Impact on Private Sector Development:** The establishment, under an initiative implemented with the World Economic Forum (WEF) of a Business Working Group (BWG) ensures the inclusion of private sector inputs in the various discussions constituting the PIDA PAP implementation agenda. Additionally, technical support availed to the private sector under the project, for example via VPIC, will enable them to undertake technical and policy related engagement for effective implementation of the PIDA PAP. Thus, information to be generated by the project will help wider public–private policy dialogue, which will help to create an enabling environment for private sector involvement in infrastructure and in business in general. The project will equip RECs to better facilitate private sector engagement in PIDA PAP projects on critical issues such as the capacity of the local construction industry and technology transfer.

3.2.4 **Social Impact:** The project will contribute to the rationalisation of regional integration initiatives in Africa through encouraging the coordinated implementation approach envisaged in the PIDA framework, thereby minimising inefficient resource utilisation and generating new social and economic benefits for the people by centralising coordination at the level of the NPCA. The active private sector participation in shaping the regional integration agenda and speeding up financial closure of the PIDA PAP is also expected to contribute positively to regional value chain development leading to increased intra-regional trade and the promotion of financial inclusion especially for the SMEs. Improved infrastructure in the form of energy, water, transport and ICT will also enable improved service delivery by Governments.

3.2.5 **Involuntary Resettlement:** There will be no resettlements (voluntary or involuntary).

IV. IMPLEMENTATION ARRANGEMENTS

4.1 Implementation Arrangements

4.1.1 **Executing Agency:** The AUC Chairperson will sign the grant on behalf of all beneficiaries. The NPCA will be the Executing Agency, and will implement and manage the project in close consultation with the AU Commission for Infrastructure and Energy. At the beginning, the Project Implementation Unit (PIU) is to be located within NPCA's Programme Implementation and Coordination Directorate (PICD). The Director of PICD will oversee the technical and financial implementation of the project. Until a proper Infrastructure Unit is setup, the Senior Coordinator for Infrastructure (an existing staff of NPCA) will be responsible for the day to day management of the project, and ensure that periodical progress reports are submitted to the Bank on quarterly basis. He/she will also ensure that all additional project-related information that may be requested by the Bank at any given time is communicated.

4.1.2 **Work Program:** There will be a consolidated Work Plan and Procurement Plan to be managed by NPCA. RECs will operationalise this Work Plan by adapting it to their specific situations and defined priorities. MOUs or Implementation Agreements between NPCA and each individual REC will be signed to clearly define both the work flow and the funds flow.

4.1.3 **Project Governance and Implementation Structure:** To ensure the implementation, supervision and evaluation of the project, the proposed governance framework is to be anchored on two layers: i) a Project Steering Committee for operational oversight and; ii) the Infrastructure Advisory Group for strategic oversight,. This is consistent with the wishes of the partners. The Steering Committee is made up of representatives from the AfDB, AUC and NPCA, with GIZ and other partners as observers. The IAG, a formal organ defined in IAIDA, will largely consist of representatives from the RECs. The IAG will be made up of senior officials from the 8 RECs, the AU and NPCA, responsible for strategy and policy development; and management of programmes and action plans in the different sectors of PIDA cooperation. The composition of the Committee and IAG may be revisited so as to increase country and institutional representation

4.1.4 To ensure that the project is well anchored, the RECs will establish PIDA Core Teams (PCTs) to work with national or dedicated project units. The PCTs will be composed of REC experts working on infrastructure – especially transport, energy and ICT, notably those recruited through this capacity building project. The PCTs will work with the NPCA to coordinate and monitor the implementation of the REC-specific PIDA Priority Action Plans (PAPs).

4.1.5 AUC, NPCA and RECs will secure budget and effectively recruit counterparts, to take over by 2017 the work of the Technical Assistance Experts provided by the project.

The following guiding principles will apply:

i. The Project is to be a "*Results-based Capacity Building*" targeted at moving the 51 PIDA PAP programmes to preparation, bankability and financing;
ii. Experts to be placed in the RECs will be dedicated to PIDA PAP work only, guided by clear work plans approved by the PSC. They are not to engage in general REC work;
iii. The Grant will include equipment and tools (computers, etc) wherever necessary to ensure that the experts have the necessary tools to carry out their duties effectively and efficiently;
iv. The Grant will not cover RMCs directly. However, RMCs will benefit through the work of the AUC, NPCA and the RECs including training that will be conducted under the project and various project Tool Kits that will be developed;
v. The Project will reinforce other Bank initiatives in covering areas such as procurement (ORPF), dispute resolution (Africa Legal Support Facility), project preparation (NEPAD-IPPF), harmonisation of policies and procedures (ORPF), enabling environment (OSGE), programme impact reporting (ORQR), private sector financing (OPSM), resource mobilisation (ICA) and related initiatives especially implementation synergies with the Regional Resource Centers (SARC and EARC) and Field Offices. The inter-departmental PIDA Working Groups established in energy (ONEC), Transport and ICT (OITC), Water (OWAS) will further foster synergies across the Bank and ensure a One-Bank approach to the implementation of this continental project; and
vi. Capacity in the RECs is very diverse, and the project concentrates particularly on this reality. Given the complexities and sensitivities involving the political aspects of this project, the AUC will implement its component separately but within the overall framework to be defined by the PSC and IAG. A central PIU will be set up in NPCA and RECs will individually sign subsidiary grant agreements or MoUs with this implementing agency.

4.1.6 **Financial Management**: An assessment of NPCA's financial management arrangements for the implementation of the project (that included a review of the review of the budgeting, accounting, internal controls, flow of funds, financial reporting and auditing arrangements) indicates that they are sufficient but will be strengthened for the purposes of the project to ensure that the funds made available for the financing of the project are used economically and efficiently and for the purpose intended. NPCA has an Administration and Finance Division/Department in charge of the financial management, procurement and general administration of the 'Secretariat'. This Division has experience in managing donor funds of, notably, World Bank, GIZ and the EU (amongst others) and will assist the project in establishing systems and procedures to ensure the proper and transparent management and monitoring of the project funds, and compliance with the AfDB's requirements. Training will also be given on the Bank's specific financial management requirements including the reporting and auditing during the launch of the project. However, additional dedicated project staff will be required across these three critical components Human Resources, Procurement and Financial Management to effectively support the project. These personnel are provided for in the budget.

4.1.7 The AUC has adequate FM systems for managing funds and reporting for the use of funds under the project. The FM Risk after taking into account mitigation measures is Moderate. The AUC has a robust budgeting and accounting system. The External Resources Management Division is responsible for the financial management of donor financed projects. The accounting system used is the SAP Financing – Controlling software. The Internal Control system is working well and based on the

AUC Accounting Policies and Procedures. The AUC has an Internal Audit Department that can oversee the project.

4.1.8 **Implementation Risk and Mitigation:** During appraisal, the Bank Mission Team established that the project risk is moderate for the following reasons: (a) Qualified and experienced staff are in place including a project accountant familiar with World Bank procedures, (b) presence of reliable integrated information systems that will ensure completeness in the processing of the respective Grant transactions, (c) a strong oversight mechanism anchored in the internal audit department, (d) the financial rules and regulations of AU for the purposes of maintaining books of accounts that are also in use by the NPCA. There is however certain risks associated with the implementation of the project that may affect its overall performance. These include: (i) the stringent requirements in the forex regime in South Africa, where the NPCA is located, and may result in delayed flow of funds for implementation of the project, (ii) processing of a high volume of transactions may overstretch the existing capacity in the finance unit, resulting in incomplete, untimely recording and delayed reporting, (iii) funds flow may be affected by delayed accountability by institutions in other RECS, affecting the project's performance, (iv) that the internal audit department is currently not staffed, with the recruitment underway. In the meantime, Internal Audits are conducted by the AU internal audit office twice a year.

4.1.9 Appropriate mitigation measures will be incorporated into the design of the financial management arrangements which will eventually reduce the residual risks to the Project. These will include: (a) the Secretariat will also use alternative disbursement methods prescribed in AfDB's disbursement handbook where applicable, (b) strengthening the capacity of the FM team for Bank funded projects through competitive recruitment of a qualified and experienced accountant to assist in processing the high volume of transactions and monitor the performance of the affiliate institutions of the RECs, (c) configuring the existing accounting software to enable complete recording and reporting of the project's transactions; and (d) ensuring that the recruitment of the staff for the internal audit department is expedited and the inclusion of the project in the department's work programme, and (e) appointing of the external auditor for project resources as dated covenants.

4.1.10 **Procurement**: Based on the assessment conducted by the Appraisal Mission Team, all procurement of goods and consulting services financed under this project will be conducted in accordance with the Bank's Rules and Procedures for Procurement of Goods and Works and Rules and Procedures for the use of Consultants, using the relevant Bank Standard Bidding Documents. A Procurement Plan acceptable to the Bank setting forth the particular contracts for services and goods required for the project during an initial period of 18 months will be submitted to the PSC. This Procurement Plan shall be updated on an annual basis or more often as required, always covering at least the next 18 months period of project implementation. Any revisions proposed to the Procurement Plan shall be furnished to the Bank for its prior approval. Detailed subsidiary procurement arrangements will be worked out by individual beneficiaries as part of their specific work-plans, but within the context of the broad items and budget categories while reflecting capacity differentials.

4.1.11 Recruitment of project staff and consultant using Project grant resources will be done according to AfDB procedures under mutually agreed terms of reference for each position as well as for each consultancy. Of critical importance, for this project as well as for other partner-funded activities at the NPCA, AUC and RECs, are effective and efficient financial management systems, including internal controls and harmonised management and reporting. The staff TORs will include tasks and skill enhancements in project preparation, project management, project-finance, M&E and reporting, etc.; Goods such as computers, laptops and printers will all be centrally procured by NPCA and dispatched to the RECs.

4.1.12 **Disbursement:** Disbursements under the Grants will primarily be made using the Special Account and Direct payment methods based on submission of the proper documents by AUC and NPCA in accordance with the Bank's rules and procedures as laid out in the Disbursement Handbook as applicable. In addition, the Bank will issue a Disbursement Letter of which the content will be discussed and agreed during negotiations. NPCA shall open a first special account denominated in United States Dollars and a draw down account in local currency for payments in local currency in a bank in South Africa that is acceptable to the AfDB. In addition, AUC shall also open a Special Account for the receipt of project funds.

4.1.13 The special accounts will receive an initial advance (normally for six months activities) on the basis of an annual project work program of activities and budget that has been approved by the Bank. Replenishment of the special accounts will be subject to utilisation of at least 50% of the immediate preceding advance and that the other older advances have been fully justified. Subsequent replenishment into the Special Account shall be based on justification of at 50% of the initial advance into the Special Account. Third advance into the Special Account shall be on the basis of utilization and justification of 100% of the 1st advance and 50% of 2nd advance. All detailed documents relating to the utilisation of the project funds shall be held by the respective finance and accounting departments in AUC and NPCA in accordance with the guidelines in the Disbursement handbook.

4.1.14 Reporting and External Audit: In accordance with the Bank's reporting and auditing requirements, both AUC and NPCA will submit Quarterly Progress Reports (within 45 days after the end of each quarter) showing their respective receipts by all sources (including information from other beneficiary institutions and counterpart contributions etc) and the expenditures by main project expenditure classifications (component and category) together with Physical Progress Reports linking financial information with physical progress and highlighting issues that require attention.

4.1.15 AUC and NPCA will prepare separate Annual Project Financial statements in accordance with internationally recognized accounting standards and the statements (with separate disclosure of the ADF and MIC Grants as applicable) shall include statements of receipts and payments, use of funds by component, a Statement of Expenditures, a list of fixed assets procured under the project and associated notes. Both AUC and NPCA shall cause the Financial Statements to be audited by an independent external audit firm acceptable to the Bank with the audit done in accordance with a Bank approved audit Terms of Reference. The cost of the audit shall be funded from the fund resources. The respective audited financial statements along with associated audit reports together with the auditors management letter indicating any weakness in internal control including the responses from management will be sent to the Bank within six (6) months of the end of the respective project financial year. The project's financial reporting period will be aligned to the NPCA's financial year end. (A draft audit TOR that can be used as a guide has been availed to NPCA).

4.1.16 **The AfDB Field Offices*:*** All the 8 AU recognized RECs with the exception of CEN-SAD in Tripoli are based in locations which also have AfDB Field (Country or Regional) Offices and this will facilitate provision of support, particularly with respect to issues related to procurement and financial management of the project. The Bank FOs will provide active support to project implementation processes. In particular, the Bank's Southern African Regional Center (SARC) based in Centurion, South Africa, will provide close support to the NEPAD Agency as Executing Agency, given the proximity of the two institutions to each other in Centurion. It was also agreed with the other Field Offices that they would support the implementation of the project. Indeed, the support of the FO is not limited to procurement and financial management alone, but also extends to technical and policy oversight and guidance. The presence of infrastructure professional staff in the FOs will ensure the provision of technical services and alignment with relevant Bank Strategies and best practices. The Resident Representatives will also be critical in providing overall strategic oversight and engaging in high-level public-private sector dialogue – which is a key feature of the design and delivery of this project to resolve implementation bottlenecks.

4.1.17 **One Bank Approach:** The implementation of PIDA within the Bank has followed the 'One Bank' approach whereby inter-departmental Working Group Task Forces have been established. Under this framework, OITC coordinates the PIDA Transport and ICT Working Group; ONEC coordinates the Energy Working Group; and OWAS coordinates the Water Working Group representing the four PIDA Infrastructure clusters/sectors. In addition, other Bank initiatives such as NEPAD-IPPF; ICA and AWF are integral parts of these Working Groups. The Working Groups have been involved and provided their inputs in shaping the design of the project. Because of the issues related to private sector participation, infrastructure governance and enabling environment, OPSM, OSGE and ALSF will also be co-opted into the Working Group as appropriate. Thus, the project will benefit from the rich diversity of Bank experience and expertise from its various Departments and specialisations within the "One-Bank" approach.

4.2 Monitoring

The Bank will monitor implementation progress through regular supervision of the project. The Bank will also use the opportunity of the programme's launching to further familiarise the Project Steering Committee as well as the beneficiary RECs with the Bank's procurement, disbursement and reporting modalities and requirements. It is anticipated that the programme will be supervised twice a year. The Technical Committee will be required to prepare and submit to the Bank quarterly progress reports (QPRs) on the project implementation and to consult with SARC for guidance where problems occur in implementation. The NPCA will recruit from the Grant proceeds a dedicated M&E specialist to cover the monitoring of implementation of the project.

4.3 Financial governance

Risks to project governance may arise in procurement decisions, use of project assets and selection of persons to attend training and capacity building activities. Such risks will be mitigated through the preparation of a detailed procurement plan, robust follow-up of contractors and participant selections, and application of the relevant Bank's standard rules and guidelines. The relevant staff of the Project Steering Committee will be inducted in all the requirements and regulations. Compliance will be assured by the PSC and will be reviewed during Bank supervision missions. The financial transactions will be subject to the Bank's internal and external auditing procedures. An independent audit of project financial reports will be undertaken every year. Bank funds will be subjected to a separate external audit once a year, by a reputable audit and management firm.

4.4 Sustainability

4.4.1 To ensure sustainability, a number of factors were taken into consideration during project design and were agreed to with the Grant beneficiary RECs, the NPCA and AUC. These include:

4.4.2 The need for continuous training, and skills upgrading for infrastructure experts to keep abreast with issues on PIDA PAP implementation.

4.4.3 Mainstreaming of the functions of the experts in the organogram of the RECS, NPCA and AUC, and, whenever possible, the retention of staff trained in the new skills in the beneficiary agencies,

4.4.4 The creation of a consolidated Infrastructure Directorate/Unit within NPCA and its timely staffing, as this will have an impact not only on the success of the project, but also on its long-term sustainability, as the aim of the project is to ensure that functions to be performed by project staff are ultimately transferred and integrated into the internal structures of NPCA, before the planned project completion on 31 December 2016, and

4.4.5 The Grant recipients taking over recurrent costs involved in the maintenance and renewal of equipment and computer software after the project has come to an end.

4.5 Risk Management

The risks and associated mitigation measures were assessed during the project design process. The following are the major potential risks and corresponding mitigating measures to be taken:

Firstly: Possible inadequate peace, stability and good governance across the continent. Proposed mitigation measures include an effective AU peace-making mechanism such as the African Peer Review Mechanism and frameworks for strengthening monitoring at the regional and continental levels as well as enhancing governance capacity. The NPCA will need also to strengthen its coordination capacity to ensure continuity in PIDA implementation. The events in North Africa, for example, may already have had an impact on the delivery of the project for UMA and CENSAD.

Secondly: Limited political will and momentum on prioritising regional and continental projects. Proposed mitigation measures include continued high level consultations and follow up with leadership provided by NEPAD Heads of State and Government Orientation Committee (NEPAD HSGOC) and the AUC through policy and political engagement to ensure adherence to agreed protocols and frameworks.

Thirdly: Levels of resource mobilisation and fiduciary measures taken by different countries. Proposed mitigation measures include an increased involvement of "footprint" partner States, donors and the private sector in the project from the onset, through consultation and resource mobilisation, especially with the RECs within forums of Ministers of Infrastructure.; and

Fourthly: A weak human resource and skills base, making it difficult for NPCA, AU and the RECs to operationalise the PIDA agenda. As a mitigation measure, NPCA and partners must work to enhance their human resource architecture. A summary of risks and mitigation measures are indicated in table 3 below:

Table 3. Risks and Mitigation measures

RISK	Impact on Project performance	Probability of occurrence	MITIGATION MEASURES
Countries and RECs have inadequate capacity to fully participate in PIDA implementation	MEDIUM	HIGH	Conduct targeted training in countries with weak capacities and provide experts and consultants to the RECs, NPCA and AUC
RECs failing to respond to project demands because of poor coordination	HIGH	MEDIUM	Facilitate better coordination amongst NPCA, AUC and the RECs and this will be ensured through PSC and IAG
High staff turn-over at NPCA, AUC and the RECs.	VERY HIGH	MEDIUM	Provide competitive packages and innovative approaches to staff retention
Limited political will to push through relevant PIDA agenda African countries as well as political instability	VERY HIGH	MEDIUM	Strengthen AU governance mechanism such as the African Peer Review Mechanism

4.6 Knowledge management

The project is designed to contribute to institutional development and knowledge building in the participating agencies, particularly in the areas of policy analysis, regulation and project management to speed financial closure of the PIDA PAP. Knowledge will be gained through skills and knowledge transfer from training of both public and private sector officials; advisors and consultants to beneficiary RECs, supplemented by regional courses and workshops as well as other learning events. The Grant will support the capturing and dissemination of knowledge and experience from this project through timely sharing of findings from the inbuilt regular project review missions, monitoring and evaluation, progress reports and the Project Completion Report. Lessons learned and experience gained will be made available to inform future operations.

V. LEGAL INSTRUMENTS AND AUTHORITY

5.1 Legal Instrument

An ADF grant from the Regional Operations Envelope (Regional Public Goods, RPGs) of UA 5million and UA 600,000 from the MIC TAF will be used to finance the project. The project is a Bank-executed operation in line with the ADF and MICs Trust Fund guidelines on the financing of multinational operations. The legal instruments will be: (i) a Protocol of Agreement between the African Development Fund and AUC for the ADF grant; and (ii) a Letter of Agreement between the African Development Bank and AUC for the MIC TAF grant

5.2 Conditions associated with Bank Group's intervention

A. Conditions precedent to entry into force

5.2.1 (a) The Protocol of Agreement shall enter into force upon its signature by the Recipient and the African Development Fund and (b) the Letter of Agreement for the MICs TAF Grant will enter into force on the date of counter-signature by the Bank.

B. Conditions precedent to first disbursement

5.2.2 The obligation of the Fund and the Bank, as applicable, to make the first disbursement of funds under the Protocol of Agreement and under the Letter of Agreement, respectively, shall be conditional upon entry into force of the Protocol of Agreement and the Letter of Agreement, and the fulfillment of the following conditions, in form and substance satisfactory to the Fund and the Bank:

Protocol of Agreement

(i) the opening of a foreign currency denominated special account in the name of the Executing Agency, at a bank acceptable to the Fund to receive the proceeds of the ADF grant;

(ii) the opening of a foreign currency denominated special account in the name of the Recipient, at a bank acceptable to the Fund to receive the proceeds of the ADF grant;

Letter of Agreement

(iii) the opening of a foreign currency denominated special account in the name of the Executing Agency, at a bank acceptable to the Bank to receive the proceeds of the MIC TAF grant; and

C. Other conditions

(i) Within three (3) months of entry into force of the Protocol of Agreement / the Letter of Agreement, respectively, the appointment of (a) a Project Coordinator from the Executing Agency's Programme Implementation and Coordination Directorate and (b) a Project

Coordinator from the Recipient's Directorate for Infrastructure and Energy, each with qualifications, experience and terms of reference acceptable to the Fund / the Bank.

(ii) Within six (6) months of entry into force of the Protocol of Agreement / the Letter of Agreement, respectively, individual memorandum of understanding, in form and substance satisfactory to the Fund / the Bank, shall have been agreed between the Executing Agency and each of the beneficiary RECs setting out the work flow, funds flow, coordination and working relationship for project implementation.

(iii)

5.3 Compliance with Bank Group policies

This project complies with all applicable Bank Group policies.

VI. RECOMMENDATION

Management recommends that the Boards of Directors approve the proposed grant of UA 600,000 from the MIC TAF and UA 5 million of the ADF grant to finance the PIDA Capacity Building Project (PIDA CAP) for the purposes and subject to the conditions stipulated in this report.

Annex 1: Detailed Budget

Table 2.6a. DETAILED BUDGET

Budget Lines	Year 1	Year 2	Year 3	TOTAL USD	Cat.
Costs of Technical Assistance (TA) - NPCA					
Accounts Expert	40,117	40,117	40,117	120,350	B
4 Transport, Energy and ICT Experts (90,000 inc benefits) – Water covered by GIZ intervention.	225,000	225,000	225,000	675,000	B
Project Assistant	20,000	20,000	20,000	60,000	B
Sub-Total 1	**285,117**	**285,117**	**285,117**	**855,350**	
Implementation Support and M&E - NPCA	-	-	-	-	
M&E Specialist (salary 35,000 plus missions at 25,238 per annum)	37,649	37,649	37,649	112,947	B
Program and Donor Coordination Meetings/Workshops	81,529	81,529	81,529	244,588	D
Sub-Total 2	**119,178**	**119,178**	**119,178**	**357,534**	
Costs of Project management – NPCA	-	-	-	-	
Office Furniture	5,384	5,384	5,384	16,153	C
Office Equipment : PC, Laptops	5,384	5,384	5,384	16,153	C
Communication Cost: Internet, Telephone	7,000	7,000	7,000	21,000	C
Office Equipment: Printer/Copiers	6,875	6,875	6,875	20,625	C
Audit	6,250	6,250	6,250	18,750	E
Sub-Total 3	**30,894**	**30,894**	**30,894**	**92,681**	
Contingency Provision Operations & Management	33,561	33,561	33,561	100,684	E
Total Direct Support to NPCA	**468,750**	**468,750**	**468,750**	**1,406,250**	
Special Support to RECs for PIDA Implementation	-	-	-	-	
Gender Advisor (90,000 inc. Benefits)	56,250	56,250	56,250	168,750	B
Identification of Capacity Gap at NPCA & REC level Short term capacity experts upon request	25,000	25,000	25,000	75,000	B
Infrastructure Experts (16) around 58,000 each, inc. Benefits	577,083	577,083	577,083	1,731,250	B
Equipment & Communication : Laptops + Internet for RECs	52,083	52,083	52,083	156,250	C
Office Equipment: Printer/Copiers for RECs	20,833	20,833	20,833	62,500	C
Program Coordination Meetings and skills development for RECs & Country experts	440,417	440,417	440,417	1,321,250	D
Networking and Building Knowledge assets/databases for Projects Preparation, M&E	45,833	45,833	45,833	137,500	C
Special Support to RECs	**1,217,500**	**1,217,500**	**1,217,500**	**3,652,500**	
Direct Support to AUC Communication, Policy and Regulation Activities	-	-	-	-	
Policy Analyst (90,000) and Communication Assistant (32,000)	76,250	76,250	76,250	228,750	B
Implementation of Communication and Policy Framework	104,167	104,167	104,167	312,500	B
Project management & Audit (covered by AUC)	-	-	-	-	
Total Support to AUC Communication, Policy and Regulation Activities	**180,417**	**180,417**	**180,417**	**541,250**	
Total Amount of ADF (plus MICs) Grant	**1,166,667**	**1,166,667**	**1,166,667**	**5,600,000**	

Services	B
Goods	C
Workshops and training	D
Operational activities	E

Annex 2. CHECK-LIST OF CRITERIA FOR FINANCING RPGs

The AFDB has been asked to play a deeper role in financing regional operations (ROs). Regional integration (RI) has emerged as one of the key pillars of the Bank's strategic orientations. In this connection, the Bank has also been increasingly called upon to support regional public goods (RPGs). The Board and ADF-11 Deputies have discussed the regional operations and RPG issues extensively and requested management to elaborate a coherent framework for ROs and provide specific classification and selection criteria for RPGs.

Please rate eligible RPGs according to this set of criteria developed by the Task team.

Project Name:	PIDA Capacity Building Project (PIDA CAP)
Department:	NEPAD, Regional integration and Trade (ONRI)
Task Manager:	Shem SIMUYEMBA

Countries involved	All RMCs
Regions involved:	All regions

For each criterion below, please provide bullet-points to evaluate the project.

CRITERION	SHORT EVALUATION (BULLET-POINTS)
Stage I:	
***Non-rivalry**:* Public goods are those whose benefits can be enjoyed by one party without (or hardly) reducing the availability of these benefits to others. The project will demonstrate that the object of assistance within the project is something whose benefits will be consumed by more than one party and that a provider cannot keep non-contributors from consuming the benefit of that good. Some examples can be terms of trade, shared water resources, cross-border roads.	The NEPAD-NPCA has received a new mandate from the AU, to overseeing the implementation of infrastructure development in Africa. Technical assistance Support to the NEPAD-NPCA Infrastructure Unit's Core function will generate operational manuals and toolkit for continental project planning and coordination of implementation, as well as a harmonized Results-based M&E system that will be used at all levels: RMCs, RECs and AU/NEPAD-NPCA for priority programmes e.g. PICI, PIDA-PAP
Non-excludability: It is difficult or prohibitively expensive to exclude others (countries/ communities/ regions) from enjoying/ consuming the generated benefits. The project will demonstrate that there is no way that non-participating countries/ communities can be stopped from enjoying the generated benefits because of the nature of the object of the project's assistance.	All outputs generated by AU/NEPAD-NPCA work, including outputs from this project, fall under the RPG. In this wise, the manuals and systems that will be produced by the Technical Assistance (TA) involving RMCs and RECs will be available to all RMCs and RECs for use to plan, prioritize and coordinate the implementation of their infrastructure development including for M&E.
***Of Public Interest**:* The good is of broad public interest and benefit. Typically, a public/ governmental entity in each participating country is typically responsible for the regulatory/policy context for the good to be produced and takes part in its production. The project will demonstrate that there is either an inter-governmental coordinating body in place or an existing REC to regulate and oversee the function and coordination of the object of support in a proposed project. As such, the project will demonstrate to what extent the inter-governmental body and/or REC has taken steps to ensure the maintenance of the object of support and to what level of success.	The project is timely notably with the PIDA scheduled to be tabled at the Summit of African Heads of State in early 2014 to inform implementation. In this regard, the NEPAD-NPCA has been mandated by the African Heads of State and Government Summit to act as the technical arm of the Africa Union Commission for the implementation of infrastructure projects in Africa. The NEPAD-NPCA has taken steps to insure the recruitment of staff who will work with the TA and will take over at the end of the project to assure continuity and sustainability of the project.
CRITERION	**SHORT EVALUATION (BULLET-POINTS)**
Stage II	
***Multi-country involvement**:* The public good involves two or more countries and can only be effectively produced if every country involved participates and	The operational Manuals and toolkit for planning and coordination of implementation of infrastructure project will be inclusive, building from national to

supports its production. The project will demonstrate that there are at least two countries involved with regards to the object of support (5%) and that the object of support in the Bank's investment is something that is either of a global and/or regional development importance and this should be demonstrated through a regionally/globally validated document (for example the "Convergence Plan of COMEFAC" outlining the work in the Congo Basin, a UN document agreeing on steps to reduce climate change, SADC gender action plan, the ECOWAS memorandum on Food Crisis, etc.) confirming this importance (10%).	continental levels via the RECs, to ensure ownership and further use by countries and RECs. The materials will be developed and tested at all three levels with national and regional institutions. They will furthermore be used to develop Priority Regional Infrastructure Action Plans and Master Plans.
Strategic Alignment: The RPG is strongly aligned with the Bank's strategic orientations and also to continental and regional objectives (i.e RPGs identified as priority operations under NEPAD or REC regional integration plans). Harmonization and partnership will be encouraged by giving preference to co-financing arrangements that promote donor coordination and leverage the Bank's own resources by mobilizing additional funds, including from sister institutions or the private sector. The project will demonstrate that the RPG is closely aligned with the continental and regional development agenda as well as the Bank Group's own strategy, especially with regard to selectivity and sector focus, and harmonization and partnership.	The proposed project is in accordance with the two mutually reinforcing pillars of the Bank's Regional integration Strategy, namely (i) Infrastructure; and (ii) capacity Building. RMCs and RECs all adhere to the project that will generate operational manuals and toolkits for Infrastructure development in Africa, particularly with the forthcoming implementation of the PIDA in 2014. This RPG project is being ranked as a priority regional integration operation under AU/NEPAD-NPCA which is planning to recruit counterpart staff to ensure the success of this Technical Assistance.
Catalytic and Upstream Role: Bank financing targets the ***initial stages*** of the processes for generating the public good and the Bank's support should aim at ***correcting disincentives*** that prevent the RPG from emerging or progressing toward the stage of production, such as *lack of coordination*, a*version to risk, free-rider problem*. The project will demonstrate that the Bank is supporting an initial investment to an object and that by doing so opens the way for further investments by partners/ RMCs in the regional or national context for specific development impact (to be specifically demonstrated). Under this criterion, the project will also demonstrate that without the Bank's intervention, there is a risk of certain beneficiaries free-riding and not being held accountable. The project will demonstrate that the Bank's intervention will add value to strengthen coordination in the region generally and/or through the inter-governmental body or REC involved (if any).	By funding this project, the Bank is playing a key role in creating a strong and conducive environment for the implementation of PIDA. Bank support will bridge the time lag in the recruiting process for new NEPAD-NPCA's staff to strengthen its Infrastructure Unit. In this regard, Bank upstream and catalytic role will help enhance the capacity of NPCA project counterpart as well as those from RMCs and RECs who will be involved in this RPG Project. Bank intervention will also help build synergies through collaborative planning and coordination of infrastructure projects at all 3 levels (national, regional and continental).
CRITERION	**SHORT EVALUATION (BULLET-POINTS)**
Higher Developmental Impact in Cooperating: The development impact to be achieved through countries' cooperation is demonstrably superior to what each country could have achieved individually. The project will go on to demonstrate that the development impact (to be specified by the team e.g. poverty reduction, gender equity, human development, etc.) will be increased only if the object of support is addressed within a regional context with the participation of at least two countries (as opposed to national projects).	The successful implementation of this project will boost the execution of PIDA – PAP starting in 2014 and other ongoing regional initiatives. It will therefore contribute to enhancing the physical and economic integration amongst African countries and regions and boost intra African trade, promote access to infrastructure and reduce the overall cost of doing business.

Eligibility to cost-sharing exemption	
Grant resources outside the PBA allocation *(i.e. exclusively from the RO envelope)* will be considered for those projects which demonstrate superior developmental impact- with respect to economic and social advancement through amongst others, the following: employment generation, trade promotion, security improvement, gender equality and climate change and adaptation. The list of such projects will be determined by the ranking stemming from the rating assessed during the previous stage and endorsement by the Operations Committee.	The successful planning, implementation and coordination of infrastructure development in Africa is at the heart of the Agenda of all RECs. Hence, the RECs determination to accompany this project and to play their partition in linking the national institutions and activities to the continental leg represented by NEPAD-NPCA. In this regard the RECs which already represent the regional anchors for the NEPAD-STAP have already committed resources including Focal Points devoted to the implementation of this project.

Annex 3: PIDA Capacity Building Programme Draft Terms of Reference for Gender Adviser

1. Introduction

1.1 Infrastructure is expected to have a major impact on the economic and social development of Africa. In recognition of this importance, the African Development Bank, regional member countries and other regional institutions have placed a high premium on infrastructure development evidenced by increasing investments in the sector. Hence the Bank, African Union and the Economic Commission for Africa developed the Programme for Infrastructure Development in Africa (PIDA) which seeks to promote regional integration through infrastructure development. Whereas there is increased focus on the role of infrastructure in reducing poverty and promoting economic growth this growth had not necessarily included women and their needs. Yet there are gendered differences in roles, responsibilities, needs, access and control of infrastructure and related services and benefits. In order for men and women to benefit equally from infrastructure projects investments need to take into account these differences.

1.2 Studies have shown that infrastructure plays an important role in improving the lives of men, women and children and it contributes to better human development outcomes. Through gender-responsive infrastructure initiatives, the economic empowerment of both men and women can be enhanced. It is for instance widely recognized that access to energy correlates with women's health, better education and enhanced employment. Where electricity is not available or unreliable, women carry a large share of the burden of producing heat and light, such as through collection of firewood, with cooking representing the heaviest consumption of fuel. Physical energy and time is also consumed in drawing or pumping water and carrying it to the home or the fields. Hence bringing electricity and water to homes will reduce the time burden of women and they will be able to invest their time (and energy) in more productive activities. Clean water supply is linked to reduced child mortality while lighting public places (roads, markets etc.) provides a sense of greater personal security, and reduced risk of gender-based violence.

1.3 The use of information communication has been reported to contribute to improved market information flow between producers and buyers (individuals, industries, exporters/importers) enabling producers to get better prices for their goods. For instance, it was reported that a Women’s Association in Burkina Faso was able to market their products in-country and abroad increasing incomes by 70% as a result of mobile phones and ICT connectivity.

1.4 Likewise better road infrastructure can positively contribute to reducing the work burden of women and children, have a positive impact on their ability to access health services, including quality reproductive health, and improve linkages to markets and inputs. This can reduce work through better communication, and contribute to increased levels of education also of girls, improved health, including reduced maternal mortality ratios.

It is in recognition of the importance of gender equality in infrastructure development that the Capacity Building Programme for Infrastructure in Development in Africa (PIDA CAP) seeks the services of a Gender Adviser.

2. Role of the Gender Adviser

- Conduct gender analysis to inform the program design and implementation;
- Provide advice to program implementers on how to promote gender equality in program activities;
- Mainstream gender in all aspects of the program including in the development of regional protocols and policies;
- Contribute to the development and implementation of a gender responsive monitoring framework for the program.
- Convene regional experts to discuss the promotion of gender equality in infrastructure development and contribute to building regional knowledge base in the area;
- Conduct training of the program team in NEPAD (and other NEPAD staff) and in the RECs on mainstreaming gender in infrastructure development;
- Work with program staff in NEPAD and the RECs to identify new opportunities and entry points for the promotion of gender equality;
- Document lessons learnt and emerging good practice on RECs and RMC and NEPAD approaches in mainstreaming gender in infrastructure.

3. Experience

The Gender Adviser will need a degree in Sociology, gender studies or similar and have at least 8 year experience with gender mainstreaming, preferably in multi-national contexts. A working knowledge of French is essential, Portuguese an added advantage.

Annex 4: PIDA Capacity Building Project Financial Management, Disbursement and Auditing Arrangements

Executive Summary

Based on an assessment of NPCA's financial management arrangements for the implementation of the project (that included a review of the review of the budgeting, accounting, internal controls, flow of funds, financial reporting and auditing arrangements) indicates that they satisfy Bank minimum requirements to ensure that the funds made available for the financing of the project are used economically and efficiently and for the purpose intended. NPCA has a Finance, Budget and Administration Division with qualified and experienced finance and accounts staff. This Division is experienced in handling financial management and disbursement matters of Bank and other donors financing partners. Training will however be given on the Bank's specific financial management requirements including the reporting and auditing during the launch of the project. The project overall financial management risk rating is Moderate.

The responsibilities of project FM matters rest with the head of NPCA Finance, Budgeting and Administration Division, who is supported by qualified accounting staff. However, the Executing Agency will appoint qualified and experienced Accountant to process the project financial transactions under overall supervision of the head of the Division. NPCA will strengthen its financial management capacity by hiring additional qualified and experienced Accountant to assist the high volume of transactions and monitor the performance of the affiliate of the RECs

A Special Account will be opened in US Dollars in a commercial bank in South Africa acceptable to the Bank. Disbursement from the Bank grant will be revolving fund or Special Account. The option of disbursing funds through direct payments for payments on contracts above a pre-determined threshold will be available.

NPCA's statutory and project audits are conducted annually by external auditors (private audit firm). The auditors have issued a clean opinion in the audit report for the year ended 31 December 2011. In accordance with Bank's requirements, the project financial statements will be audited annually by the independent external auditor, who will be required to prepare a separate audit report for the project. The annual audited project financial statements including the auditor's opinion and management letter will be submitted to the Bank no later than six months after the end of the fiscal year.

Introduction

The objective of the assessment was to determine whether the NEPAD Planning and Coordinating Agency (NPCA) has acceptable financial management arrangements, which will ensure that: (a) project funds are used only for the intended purposes, in an efficient and economical way; (b) the project financial reports will be prepared in an accurate, reliable, and timely manner; (c) internal controls exist which allow early detection of errors, unusual practices as a deterrent to fraud and corruption; (d) project assets are safeguarded; and (e) the project is subject to external audit oversight. The results of the assessment and the agreed financial management, disbursement and auditing arrangements for the proposed PIDA Capacity Building Project are documented below.

Summary Project Description

The overall development objective of the project is to enhance the resource capacity of regional and continental bodies in coordinating and facilitating the implementation of priority regional infrastructure projects thus accelerating the drives for economic integration and achievement of sustainable development for the African continent in line with the African Union vision. It is anchored on the continental primary objectives of eradicating poverty, through enhancement of physical infrastructure and economic integration in Africa. The project is expected to strengthen the capacity of the AUC, the NPCA and RECs for planning, facilitation and coordination of implementation of regional infrastructure programmes and projects necessary for enhancing Africa's physical and economic integration; and socio economic development. It will have the following components:

- **Component 1**: Technical Assistance to NPCA Infrastructure Unit (Estimated amount: USD 2,088,905);
- **Component 2**: Technical Assistance to AU (Estimated total amount: USD 866,000)
- **Component 3**: Enhancing RECs capacity to implement PIDA (Estimated amount: USD 5,844,00); and
- **Component 4**: Project management including M&E as well as Audit (Estimated amount: USD 161,095).

Risk assessment and mitigation

The table below shows the results of the risk assessment to ensure that appropriate risk mitigations are incorporated into design of this proposed project. This table summary the risk identified, the risk rating, and mitigation measure if applicable.

Risk Type	Risk Rating	Risk Mitigating Measures Incorporated into the Project Design	Conditionality (Y/N)	Residual Risk Rating
Inherent Risk				
Country Level NPCA is s a regional body as part of NEPAD based in the Republic of South Africa, which has one of the most developed public financial management systems in the Africa region. The Accountancy Profession is well developed and the country has a good reservoir of qualified accounting professionals.	L	None	N	L
Entity Level The executing agency of the proposed project is adequately staff and financial and financial rules and regulations employed by NPCA are documented in its manual. This agent has experience in implementing Bank-financed operations. However, volume of	M	The project FM matters will be handled within the existing Finance, Budget and Administration Division and overall responsibilities rest with the head of Finance of NPCA, who is a qualified and experienced Accountant. However, NPCA financial management capacity will be strengthened by hiring additional	N	M

project transaction may increase the work load of finance and accounts staff.		qualified and experienced Accountant.		
Project Level The high volume of transactions and the need to monitor the performance of the affiliate of the RECs may overstretch the existing financial management capacity.	M	The NPCA financial management capacity will be strengthened by hiring additional qualified and experienced Accountant.	N	M
Control Risk	M			M
Budgeting Risk that realistic annual budget may not be prepared	M	• The Project estimated costs have been prepared and the project detailed budget project is included in the PAR. • The project budget will be prepared based on approved annual work plans by the NPCA management and the Band.	N	M
Accounting NPCA transactions are processed using stand-alone off-the-self accounting software and this will be also used to account for funds, expenditures and resources of the project. The entity FM capacity is adequate and the salient finance and administrative aspects and key internal control procedures are documented in their manuals, however, the high volume of transactions and the need to monitor the performance of the affiliate of the RECs may overstretch the existing financial management capacity.	M	The project accounting system will be based on stand-alone off-the-self accounting package being used by NPCA, however it will be configured to support the requirement of the project The NPCA financial management capacity will be strengthened by hiring additional qualified and experienced Accountant.	N	M
Internal Control The risk is that some financial management procedures and regulations, including internal control best practices, may not be observed by the financial management team.	S	The NPCA has qualified and experienced staff handling its operations and this will have responsibility for project FM matters. The review of NPCA operations are conducted by the AU internal Audit Office, however, it is in process the recruitment of internal Auditor for this agency. The Finance Police and Grant Management manuals will be revised to incorporate specific project financial management requirements.	N	M

Funds Flow Delays in submission of payment requests to the Bank may lead to insufficient funds in the Special Accounts to cover payments of eligible project expenditures.	M	• The Executing Agency has experience in handling disbursement matters of Bank-financed projects. • The Bank will provide training to Executing Agency finance and accounts staff in financial management and disbursement matters of the Bank-financed operations. The Bank also will provide on-going support to the project team.	N	M
Financial Reporting NPCA produces quarterly and financial management reports to AU Assembles. They also produce annual financial statements, which are subject to audit by private firms.	M	None	N	M
Auditing The NPCA financial statements are audited on annual basis in according to the International Standard of Auditing. The auditors will produce a separate audit a separate annual audit report for the project. Delay in appointment of the project external auditors may lead to noncompliance with the deadline for submission of the audit report to the Bank	M	NPCA should appoint independent external auditors for the project within 4 months after the effectiveness.	N	M
Overall Risk	M			M

Strengths and Weaknesses

The main strength is that the Executing Agency is experienced in handling FM and Disbursement of the Bank and other donors financed operations, and key finance and accounts staff of NPCA is adequately qualified and experienced. Concerning weaknesses, no issues of serious nature were identified.

Financial Management Action Plan

The Financial Management Action Plan described below has been developed to mitigate the overall financial management risk and agreed upon with the borrower.

Issues	Remedial action recommended	Responsible body/person	Completion date	FM condition of effectiveness
Strengthen FM capacity	Recruitment of additional qualified and experienced Accountant	NPCA	3months after effectiveness	Dated Covenant
Revise the Finance Policy and Grant	Revise the manuals to document specific	NPCA	3 months after effectiveness	Dated Covenant

Management Procedures Manuals	financial management requirements for the project			
Financial management information system	Configure the accounting software in use by NPCA to enable complete recording and reporting of project's transactions.	NPCA	3 months after effectiveness	Dated Covenants
Internal Audit	Finalize the recruitment of the internal Auditor	NPCA	3 months after effectiveness	Dated Covenants
External Audit	Appointment of the external auditor completed and signed	NPCA	4 months after effectiveness	Dated covenant

Implementing Entity
NPCA has overall responsibilities for the implementation of the project, including accounting of project funds, expenditures and resources. The financial management under the project will be handled within the existing Finance, Budget and Administration Division. The overall project management matters rest with the head of the Division, who is supported by the qualified and experienced finance and accounts staff. The NPCA financial management capacity will be strengthened by hiring additional qualified and experienced Accountant to assist the high volume of transactions and monitor the performance of the affiliate of the RECs. The NPCA finance and accounts staff is experienced in handling financial management and Disbursement matters of Bank and doors financed operations.

Budgeting
The annual budget will be prepared based on NPCA policies and guidelines; however the Finance Policy and Grant Management Procedures Manual should be revised to document the budget policies and guidelines applicable to the Bank-financed project. The project detailed budget has been prepared and it is included in the PA and the annual budget will be based on approved annual work plans by the Executing Agency management and the Bank.

Accounting Policies, Procedures and Information system

Accounting Policies and Procedures
The financial rules and regulations employed by NPCA are documented in the Finance Policy and Grand Management Procedures manuals, which provide guidance to finance and accounts staff in matters such accounting and reporting, grant management and income generations, treasury management/cash and Bank, accounts payable and receivable, fixed asset management, planning and budgeting and cash management. These manuals should be revised to document specific financial management requirements for Bank-financed project. The revision of the manual should be completed within 3 months after the grant effectiveness.

Staffing

The project financial management matter will be handled within the existing Finance, Budget and Administration Division. The head of Division will have overall responsibility for project financial management matters. However, NPCA will appoint qualified and experienced Project Accountant to process the project financial transactions under overall supervision of the head of the Division.

Information system

NPCA financial transactions are processed using stand-alone off-the-self accounting software and this will be also used to account for funds, expenditures and resources of the project. The system seems to be adequate to support the project operations; however, this will be configured to enable complete recording and reporting of the project's transactions.

Internal Control and Internal Auditing

The internal control procedures documented in their manual will be followed for implementation of the project, however, these manual will be updated to incorporate specific produces for the Bank-financed operations.

The NPCA is recruiting an Internal Auditor and we recommended that this process should be finalized within 3 months after the project effectiveness. However, internal audit reviews are conducted by the AU Internal Audit Office, twice a year and the project activities will be included in the internal audit work program.

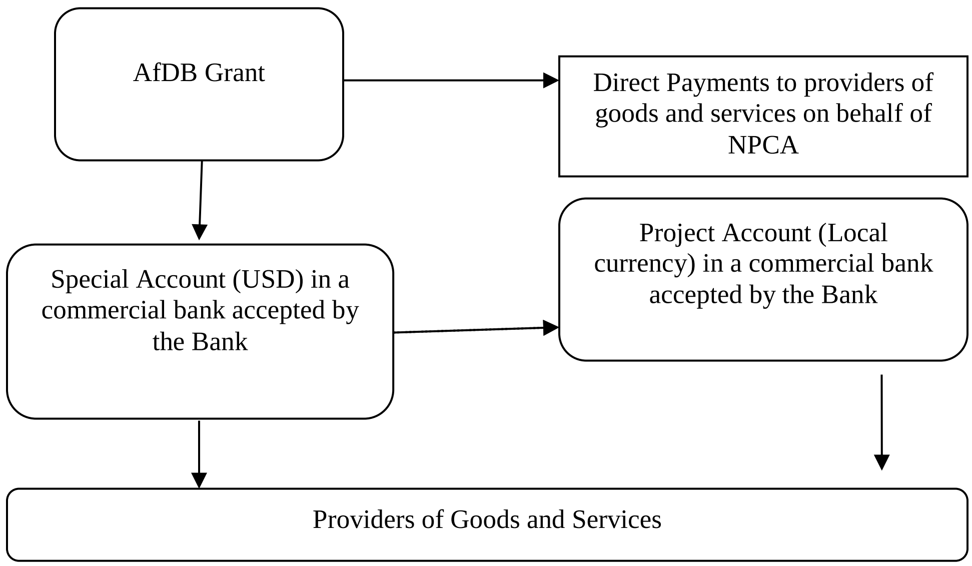
Funds Flow and Disbursements Arrangements

The project would make use of the four disbursement methods prescribed in the Disbursement Handbook: (i) Revolving Fund or Special Account, (ii) Direct Payment, (iii) Reimbursement, and (iv) Reimbursement Guarantee. The handbook provides details for each disbursement method.

To facilitate the implementation of the project activities, NPCA will open a Special Account in US Dollars in a commercial bank in South Africa, on terms and conditions acceptable to the Bank. Funds deposited in the Special Accounts would finance all eligible project expenditures. A local sub-account would be opened a commercial bank acceptable to the Bank. The Bank will issue the Disbursement Letter that will provide details of the disbursement process. This will be discussed and finalized during negotiations.

Funds Flow Diagram

The funds flow diagram is presented below, and should be viewed in the context of the funds flow arrangement as well disbursement arrangements described below



.

Financial Reporting
The NPCA produces quarterly and half yearly financial management reports to AU Assemble. For the purpose of the project, NPCA will produce quarterly financial progress report to be submitted to the Bank within 30 days after the end of the calendar quarter. These reports will include and not limited to:

- Statement of Receipts and Expenditures (showing separately and cumulatively all sources of funds received from the Bank, and counterpart funding , expenditures incurred for both the current year and accumulated to-date) and
- Project Statement of Special Account;
- Statements of Expenditure;
- Notes to the Financial Statements describing the applicable accounting principles in place and acceptable to the bank as well as a detailed analysis of the main accounts; and
- Annual financial statements covering the above information

Annual project financial statements will be prepared in accordance with the International Public Sector Accounting Standard (IPSAS) or International Financial Reporting Standards (IFRS).

External Audit
The annual project financial statements will be audited by independent external auditor competitively recruited. The project financial statements will be audited in accordance with Auditing Standards international recognized and the audit report, including the management letter will be submitted to the Bank within 6 months after end of the fiscal year in compliance with the provisions of the grant covenants.

The auditors will be required to express opinion on the project financial statements. In addition, a detailed management letter containing the auditor's assessment of the internal controls, accounting system and compliance with grant covenants in the Protocol of the Agreement, suggestions for improvement, and management's response to the auditor's management letter. Bank accepted audit Terms of Reference defining the scope of the audit, types of repots, submission timelines will be agreed with project team to ensure acceptability of report by the Bank.

FM Supervision: The project would be implemented in a “Moderate” risk environment. In this regard, there will be at least one FM supervision mission per year. In adopting a risk-based approach to FM supervision, the key areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and fund disbursement arrangements, the transfer of funds to other implementing partners and the ability of the accounting systems to generate reliable financial reports. Other supervision activities would be desk reviews of the IQPRs, annual audit reports, and management letters for follow-up actions; and the outcome of these reviews would inform the intensity of subsequent on-site FM supervisions

Financial Management Assessment of the AUC

The objective of the review is to have an institutional financial management assessment of the AUC that can be used for any Bank-funded project the institution is implementing. As a result, this should reduce the administrative time spent by both the Bank and AUC in conducting an assessment for every project as per Bank policy. An action plan will also be developed that strengthens AUC financial management arrangements in a systematic manner in order to have satisfactory financial management systems in place to provide accountability for both AUC’s funds or any external funding received from Development Partners.

The assessment of AUC was conducted to determine whether the financial management arrangements (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, timely and reliable financial statements; (c) safeguard the entity/project’s assets; and (d) are subject to auditing arrangements acceptable to the Bank. The financial management (FM) assessment was carried out in accordance with the Financial Management of Projects financed by the African Development Bank Provisional Tool Kit issued by ORPF.0 in June 2010.

Budgeting: AUC have adequate guidelines to prepare project or program budgets and a good software system (SAP) for budget monitoring while AMERT is used for budget preparation but staff need to undergo training in how to effectively use AMERT which is expected to be done in March-April 2012. A critical area of concern is for projects to follow the AUC budget calendar that ensures the budget (that includes project and program budgets) is approved at the July sessions of the Assembly to facilitate the timely release of funds and implementation of programs in order for the budget to be in effect by the commencement of the financial year on 1st January and therefore comply with Article 38 of the AU Financial Rules and Regulations (FRR). Supplementary budgets are allowed according to Article 12 of the FRR but their approval could cause delays in project implementation hence it is advisable to follow the AUC budget calendar and ensure the project or program is appropriately budgeted for. This will prevent projects or programs from under spending during the execution of the budget. Important to note is that there are no budget ceilings for donor funded projects or programs. The staff in the budget division are qualified and experienced but need to be strengthened by recruiting an Assistant Accountant as per their proposed structure in order to manage their workload. The modernization of the budget classification needs to be considered in order to comply with good practices. Using the IMF Government Financial Statistics 2001 is recommended when the proposed revision the FRR is conducted.

Accounting: AUC accounting policies and procedures are adequate for projects. The External Resources Management division is understaffed as it produces accounts for over 40 projects. It is proposed to recruit at least two Assistant Accountants and the Head of the Division to manage the workload. During the preparation of every project the Bank's Financial Management Specialist will confirm with AUC whether they have adequate accounting staff to prepare the project's accounts and if not in place, appropriate mitigation measures will be agreed with the AUC. The SAP Finance and Controlling (FI-CO) software used by AUC head office is adequate to prepare project accounts. It has a chart of accounts that can accommodate new projects or programs. However, SAP needs to be rolled out to the regional and key liaison offices that are still using manual systems in order to ensure timely production of AUC accounts. AUC also needs to have an off-site back up arrangement in order to safeguard its information that includes information in SAP whenever there is a disaster.

Internal Controls: AUC's internal control systems are well documented to be utilized for projects. However, a review of the AUC audited accounts for the year ended December 31, 2009 and December 31, 2010 revealed a number of internal control issues that AUC needs to improve on but there were also notably recurring internal control issues highlighted under Section 6.1 on Internal Control Systems that need to be improved on to strengthen the AUC internal control systems. The main internal control concern relates to the physical transportation of cash exceeding US$ 5000 to finance activities outside Addis Ababa which was not complying with Section 2.5.8 of Finance Policies and Procedures Manual (FPPM) of the AU as the funds were expected to be moved using bank drafts or transferred to a bank near the location of the activities. This risk affects mainly the Bank's support to AUC workshops and conferences held all over Africa. However, AUC has put in place adequate mitigation measures to manage this risk.

Internal Audit Department: The department has an internal audit manual that uses the risk based approach which is adequate for the audit of projects. The staff in the department have been adequately trained in performance based audits although the performance based manual is expected to be finalized by June 30, 2012. An internal audit charter has been developed that is expected to be approved by the Summit in June 2012. Project internal audits are included in the annual work plan that is approved by the Chairman of the AUC. Low risk projects are expected to be audited once in two years while high risk projects are audited annually. AUC's audit committee is the Permanent Representative Committee (PRC) but they require capacity building to perform their role effectively. The internal audit charter that is expected to be approved during the Assembly in July 2012 shall provide guidelines with respect to the establishment of the audit committee. Based on good practice the audit committee should be made up of non executive members of the AUC preferably as a subcommittee of the PRC in line with the FRR.

Funds flow arrangements: These are adequate for projects with regard to opening up Designated and Project accounts, the approval and signatory arrangements. However, in order to address funds flow challenges AUC has faced in the past and considering the current financial management arrangements of the AUC, report based disbursements will be used where a six month advance based on a cash flow forecast will be provided every quarter such that AUC has buffer funds for a three months period. Other disbursement methods AUC could use include the direct payment method to third parties, reimbursements to AUC where they use their own funds for project eligible expenditure and special commitments such as letters of credit. In order to reduce the number of project bank accounts that AUC has that are about 60 and therefore reduce

AUC's transaction costs, the Bank will work with AUC to strengthen their capacity to have one consolidated bank account designated for projects. Each of the projects that deposit funds into the consolidated bank account will be identified in the books of accounts using funding source and project codes.

Financial Reporting arrangements: AUC guidelines on financial reporting are adequate for Bank-funded projects. However, AUC plans to move from using International Financial Reporting Standards which are mainly for the private sector to International Public Sector Accounting Standards (IPSAS) which is a commendable move. However, they do need capacity building to implement these standards and the FRR will have to be revised to comply with IPSAS.

External Auditing arrangements: The Board of External Auditors (BEA) has the mandate under its terms of reference under Article 113 (7) of the FRR to audit all AU projects. However, the FRR does not mention whether private external auditors can conduct audits of projects on behalf of the BEA although management has been appointing private external auditors for Bank-funded projects which, compromises their independence as they are also paid by management. In order to address this issue, private external auditors should be appointed by the BEA. Upon finalizing their audit report the private external audit firms should submit their audit report to the BEA to review and issue an audit opinion to the Bank as the authorized external auditors of AUC projects. However, the Bank reviews the quality of private external auditors on a regular basis, and therefore plans to work closely with the BEA to ensure that private external auditors with acceptable quality audits are appointed to audit Bank-funded projects. One area of concern for AUC relates to the use of many audit firms of which some have quality concerns and conducting audits throughout the year as some projects financial year (FY) end are not synchronized which AUC's FY of December 31st. We recommend that in order to address this matter, all projects synchronize their FY with AUCs FY. Secondly the BEA should appoint a few audit firms of acceptable quality to all Development Partners to conduct project audits on BEA's behalf and report back to the BEA in order to consolidate the project accounts into AUC's account and issue an audit opinion. The audit opinion on the consolidated annual accounts of AUC can have a breakdown of audit opinions for each project of the AUC.

Audit reports for Bank-funded projects are expected to be submitted to the Bank within six months after the end of the financial year, which in this case should be by June 30th following the end of the financial year on December 31st of the previous year. However, given that the consolidated financial statements for AUC for the year ended December 31, 2009 and December 31, 2010, were submitted late to the BEA for audit thus not complying with Article 88 and 89 of the FRR, this raises concern as to whether audit reports for Bank-funded projects will also be submitted late to the Bank. As such, we recommend AUC to meet the audit report submission deadlines. We also noted that both audit reports had a qualified audit opinion relating to "except for matters highlighted in the management letter" that we recommend AUC to address. Related to the audit opinion, we also recommend that the BEA be specific with respect to their audit qualification in order to comply with International Standards on Auditing as not all management letter issues are grounds for audit qualifications. This may require dialogue with the BEA in order to strengthen their capacity by working closely with INTOSAI and/or AFROSAI. BEA in this respect will need to have an audit manual that needs to be developed and their staff should undergo training in order to use the audit manual. Guidelines should also be considered for member states to send audit staff of a particular quality to conduct AUC audits.

Governance and anticorruption: AUC has a policy on risk management and fraud that is documented under Section 12 of the FPPM. However the fraud policy recommends fraud cases to be reported to the Director of Administration which provides a conflict of interest in case the Director is implicated in the fraud. We recommend that fraud cases should be reported to a non-executive committee dealing with fraud and corruption. This committee will work closely with the Director Internal Audit to investigate the fraud cases and bring them to closure. AUC also needs to develop a good governance charter that includes a policy for confidential reporting (whistle blowing) and a revised antifraud and anticorruption policy.

ANNEX 5: PROCUREMENT ARRANGEMENTS

All procurement of goods, works and services to be financed by AfDB will be in accordance with the Bank's *Rules and Procedures for Procurement of Goods and Works", dated May 2008, revised July 2012*; and "*Rules and Procedures for the Use of Consultants", dated May 2008, revised July 2012* and as amended from time to time, using the relevant Bank Standard Bidding Documents, and the provisions to be stipulated in the Grant Agreement. Table below presents a broad summary of expenditure under each category.

Table 5.1: Summary of Procurement for the ADF Grant

Category of expenditure	Foreign Cost	Local Cost	**Total**
	In UA	in UA	**in UA**
1. GOODS	430,181		**430,181**
2. SERVICES	2,884,547		**2,884,547**
3. TRAINING & WORKSHOPS	1,565,838		**1,565,838**
4. OPERATIONAL COSTS	119,434		**119,434**
Total	5,000,000		**5,000,000**

Table 5.2: Summary of Procurement for the MIC-TAF Grant

Category of expenditure	Foreign Cost	Local Cost	**Total**
	In UA	in UA	**in UA**
1. GOODS			
2. SERVICES	600,000		**600,000**
3. TRAINING & WORKSHOPS			
4. OPERATIONAL COSTS			
Total	600,000		**600,000**

Since there are going to be number of ultimate beneficiaries namely the NPCA, RECs and AUC, the entity- wise category -wise break up has not yet been finalized. Those details would emerge when the individual MOUs between the NPCA and RECs/ AU gets finalized. It was agreed that an annual work / procurement plan would be submitted by NPCA for approval of the Bank with full details of procurement of various activities for approval. Procurement in every case would commence only once this plan has been reviewed and approved by the Bank

Executing agency procurement capacity: NPCA would be the executing agency for conducting all procurement activity. During the appraisal mission, NPCA's procurement structure (including relevant rules and regulations) was reviewed and deemed broadly satisfactory. NPCA's internal procurement rules and procedures uphold similar procurement policies and principles to those of the Bank as they have been involved implementing World Bank projects. The Capacity of the executing agency has previously been assessed by the World Bank prior to previous financing and the status remains acceptable. NPCA has an established procurement section adequately resourced with qualified personnel who have satisfactorily handled procurements of goods and consultancy services using Bank rules and procedures. The internal controls in the institution were deemed by the Appraisal Mission as adequate.

Review procedure: The procurement being carried out by the beneficiary would be subjected to both prior and post-review depending upon the details crafted in the Procurement Plan depending. In case of **prior review** following documents are subject to prior review and approval by the Bank before promulgation: (a) Specific Procurement Notices, (b) Prequalification Invitation Documents [*if appropriate],* (c) Tender Documents or Requests for Proposals from Consultants including shortlist, (d) Tender Evaluation Reports or Reports on Evaluation of Consultants' Proposals, including recommendations for Contract Award, (e) Draft contracts, if these have been amended from the drafts included in the tender invitation documents, (f) modification of signed contracts.

Post Review: All goods procured under shopping methods will be post reviewed by the Bank. This is so because it is anticipated that there will be large number of small value contracts.

Procurement Plan: The Bank shall review the procurement arrangements proposed by the Grantee in the Procurement Plan for its conformity with the Loan Agreement and its Rules. The Procurement Plan shall initially cover a period of 18 months. The NPCA shall update the Procurement Plan on a yearly basis or earlier as needed during the period of project implementation. Any revisions proposed to the Procurement Plan shall be forwarded to the Bank for its prior approval. NPCA will provide a more procurement plan for first 18 months before signing of the Grant Agreement.