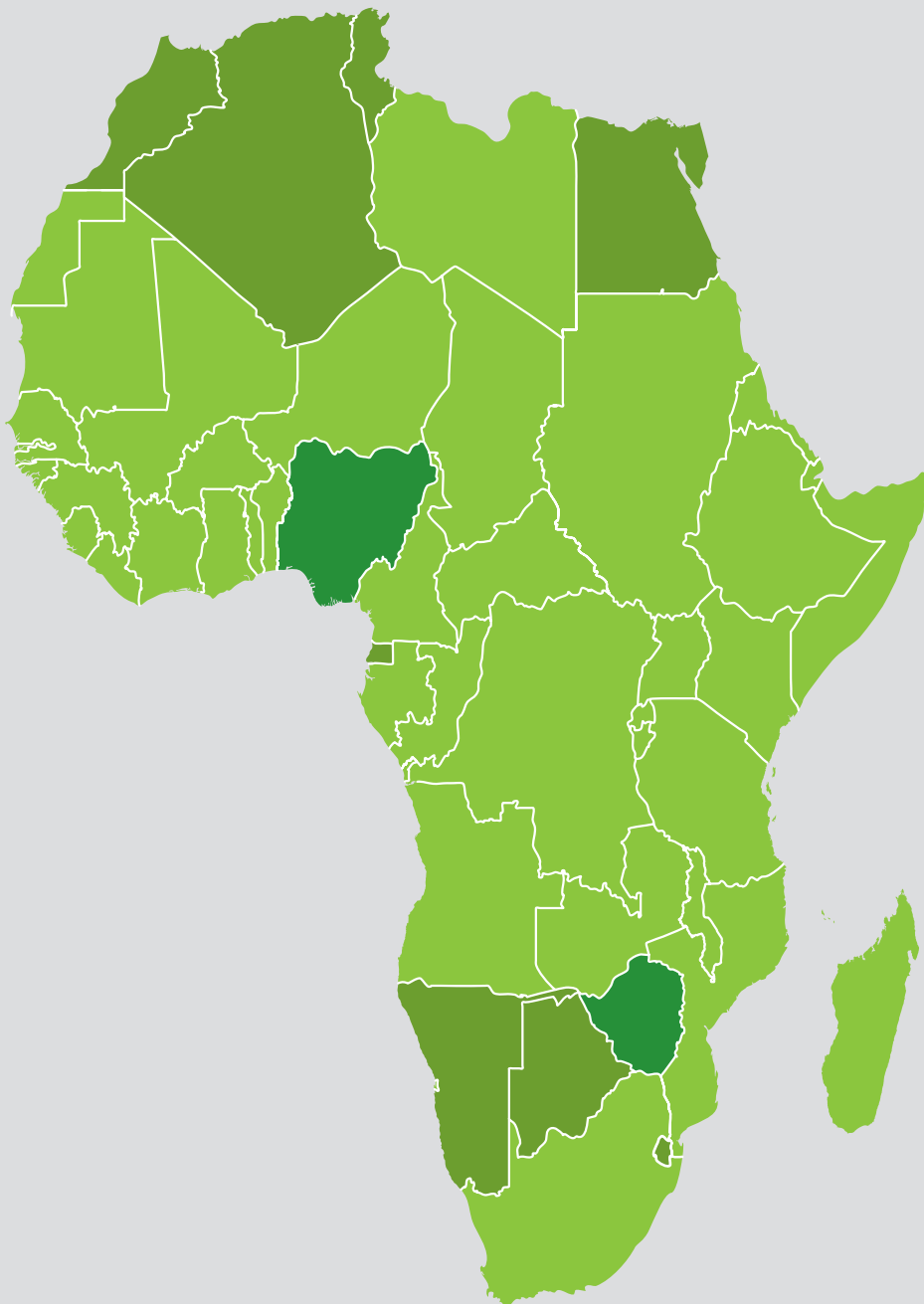


The African Development Bank and the water and sanitation sector



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About this primer

This primer is a resource for civil society organisations active in the water and sanitation sector.

The purpose of the primer is to deepen understanding of the African Development Bank (AfDB) at a time when its work in the sector is expanding. We hope this knowledge will enable civil society to engage with the AfDB from a more informed position.

The primer is a compilation of material from many sources. All materials are referenced. The primer has been checked for accuracy by staff of the AfDB. We would like to thank the Bank for this contribution.

The primer was jointly written in 2007 by the following organisations:

- Freshwater Action Network (FAN)
- African Civil Society Network on Water and Sanitation (ANEWS)
- Uganda Water and Sanitation Network (UWASNET), Uganda
- Relais pour le développement urbain participé (ENDA RUP), Senegal
- South Africa Water Caucus, South Africa
- Arab Office for Youth and Environment (AOYE), Egypt
- Water Energy and Sanitation for Development (WESDE), Cameroon
- WaterAid

Acronyms

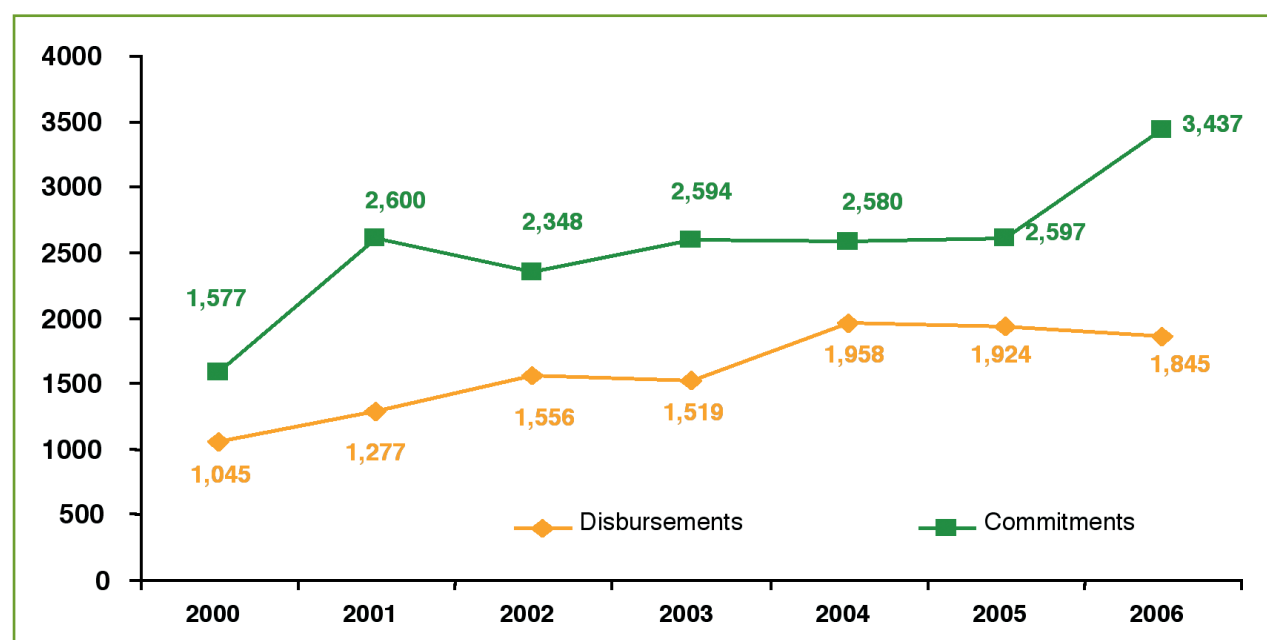
AfDB	African Development Bank
ADF	African Development Fund
AMCOW	African Ministers' Council for Water
APPR	Annual Project Performance Review
AWF	African Water Facility
CBO	Community-based organisation
CRMU	Compliance Review and Mediation Unit
CDP	Country dialogue papers
CGP	Country governance profile
CPA	Country performance assessment
CPIA	Country policy and institutional assessment
CSO	Civil society organisation
CSP	Country strategy paper
EC	European Commission
GFTAM	Global Fund to fight Aids, Tuberculosis and Malaria
GTI	Global Transparency Initiative
HIPC	Heavily indebted poor country
ICA	Infrastructure Consortium for Africa
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFI	International financial institution
IRM	Independent review mechanism
IWRM	Integrated water resource management
RMC	Regional Member Country
NGO	Non governmental organisation
NTF	Nigeria Trust Fund
OECD/DAC	Organisation for Economic Cooperation and Development / Development Assistance Committee
OWAS	Operations for Water and Sanitation Department
MOPAN	Multi-lateral Organisations Performance Assessment Network
NEPAD	New Partnership for Africa's Development
PAR	Project appraisal report
PIC	Public information centre
PPB	Prospective project brief
RWSSI	Rural Water Supply and Sanitation Initiative
STAP	Short term action plan
TWRM	Trans-boundary water resource management
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund

Chapter 1

Why is it important for civil society organisations to understand the AfDB?

- Because in 2006 the AfDB committed a total of US\$3.4 billion to member countries in loans, grants and debt relief. This was a 32% increase on the previous year
- Because the AfDB is becoming more selective in its approach with a new emphasis on water, infrastructure, energy and transport now accounting for 40% of operations in low-income countries
- By end 2006, the AfDB had committed more than US\$4 billion to water and sanitation, representing about 7.7% of total Bank approvals since 1967. Total approvals for water in 2005 and 2006 amounted to US\$624 million¹
- Because its annual investment in the water sector is set to rise – in 2003 it launched a US\$14.2 billion initiative called the Rural Water Supply and Sanitation Initiative. The Initiative aims to attain 66% access to water supply and sanitation in Africa by 2010 and 80% by 2015
- The AfDB is currently strengthening its statistical capabilities and analytical work to support policy evolution in regional member countries. This will enable the AfDB and its partners to develop a stronger voice on development issues in Africa

Investment in water and sanitation, 2000-2006 (millions of Euros)²



1 Presentation by Donald Kaberuka, President of the AfDB Group, to Ambassadors from Member States of the Bank accredited to Tunisia and Representatives of International Organizations on 18 January 2007

2 Ibid

Chapter 2

What is the AfDB?

The AfDB is a multilateral development bank that makes grants and loans to African governments and to public and private enterprises investing in Africa. The AfDB is Africa's largest development finance institution which is dedicated to combating poverty and improving living conditions across the continent. The AfDB is also engaged in mobilising resources for the economic and social development of its Regional Member Countries (RMCs).

The AfDB's mandate³ is to: *“contribute to the economic development and social progress of its regional members – individually and jointly”*. The AfDB's mission is to promote economic and social development through loans, equity investments and technical assistance.

The AfDB Group comprises three institutions – the AfDB, the African Development Fund (ADF), and the Nigeria Trust Fund (NTF).

What is the history of the AfDB?

In 1961, the Liberian capital hosted the Monrovia Conference bringing together Heads of State and Government. Discussions at this meeting and later in Lagos centred on two draft charters; one for the Organisation of African Unity, and one for the AfDB.

A draft accord was prepared and submitted to top African officials, and then to African Ministers. On August 4, 1963, 23 African Governments signed an agreement establishing the AfDB. Eight more countries signed up in December. The inaugural assembly was held in November 1964 in Lagos.

In the early 1990s, non-regional members expressed disappointment at the performance of the AfDB Group. In response, the AfDB initiated a commission led by former World Bank Vice President, David Knox, to evaluate the organisation. Published in 1994, the Knox Report drew attention to a number of problems, including poor quality of lending; lack of focus caused by the conflicting interests of shareholders; and a discrepancy between official policies and actual practices. Around the same time, Standard & Poor's, one of the world's foremost credit rating agencies, downgraded the AfDB's senior long-term debt because of the “increasing politicization” of the AfDB's corporate governance and management. The downgrade made it more expensive for the AfDB to borrow money on international markets, and had a profound effect on the AfDB's financial stability.

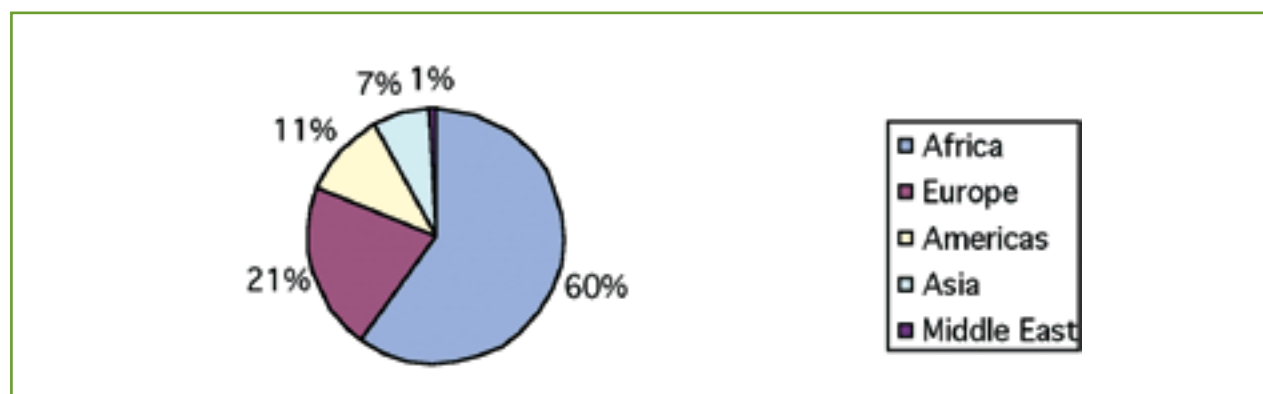
The AfDB made efforts to restore its credibility under President Omar Kabbaj, who tightened financial controls, centralised decision-making and down-sized staff numbers. By the end of President Kabbaj's term in 2005, Standard & Poor's gave the AfDB a triple A rating (or excellent credit rating). With the election of the new President, Donald Kaberuka in July 2005, the AfDB is in the process of defining its focus and seeking to re-establish itself as a premier, results-orientated development institution with a comparative advantage.

3 Article 1 of the Agreement Establishing the African Development Bank, http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/LEGALINFORMATION/AGREEMENT_ESTABLISHING_ADB_JULY2002_EN.DOC

“President Kaberuka inherited an institution whose financial standing has been restored, but whose operational credibility remains a work-in-progress”⁴

Who owns the AfDB?

Shareholder support for the African Development Bank



The AfDB is owned by its members. There are 77 members comprising 53 African (Regional) members and 24 non-regional members. Originally an all-African institution, the non-regional members joined in 1982, allowing the AfDB to increase its capital base. Each member country in the AfDB has an equal number of basic votes in addition to a number of votes proportional to its paid-up shares. No one member country or group of countries has veto power. The regional members who currently have the greatest voting power (as of December 2006) are Nigeria, Egypt, and South Africa. Non-regional members with the highest voting power are the US, Germany and Canada. The non-regional members hold approximately 40% of the total votes.

How does the AfDB compare with other bilateral and multilateral donors in the water sector?

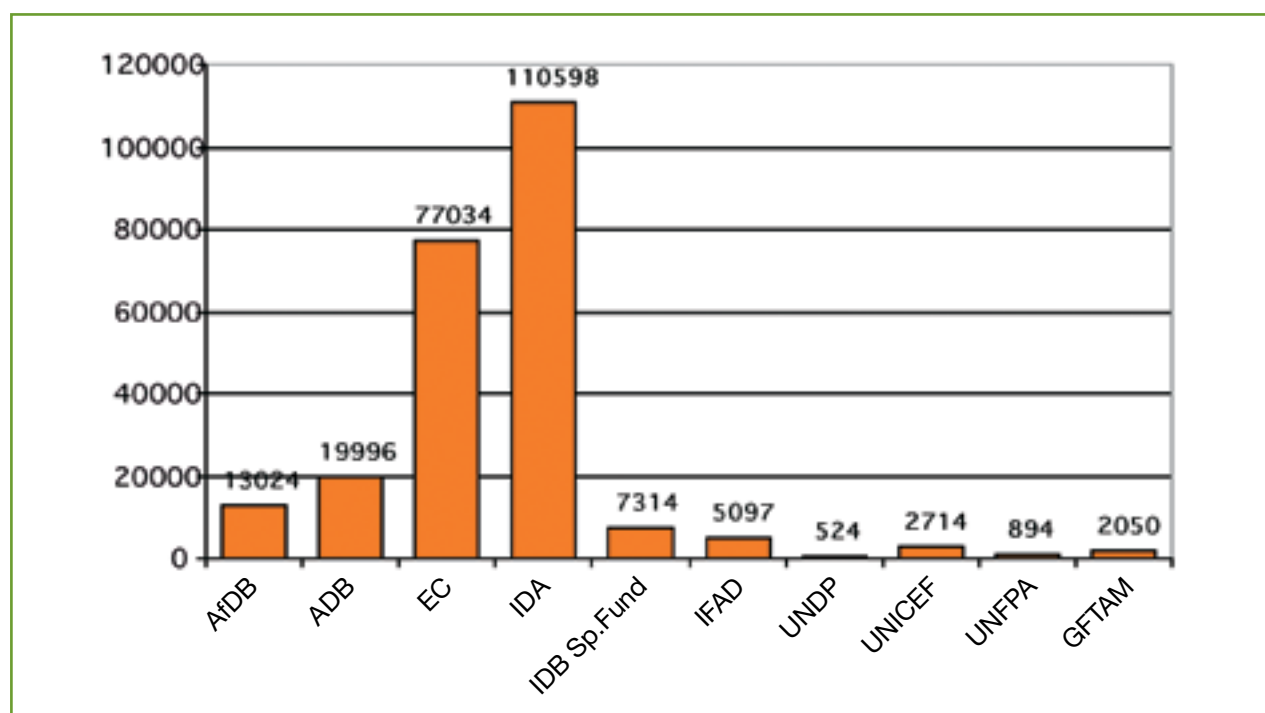
OECD/DAC statistics show that between 2000 and 2004, around two-thirds of aid for water and sanitation was provided bilaterally and one third by multilateral agencies. On average, the AfDB provides less funding to the sector than some bilateral donors (Japan, United States, Germany, and France). Among the multilateral donors, IDA and the European Commission provide over three-quarters of multilateral support to the sector, with the African and Asian Development Banks providing a substantial share of the remaining quarter.

Links between the AfDB and the World Bank are strong. In 2000, the AfDB and the World Bank signed a Memorandum of Understanding, outlining a strategic partnership between the two institutions.⁵ The strategic partnership was revised in 2002. The two institutions have drafted a set of action plans that delineates planned cooperation in a set of sectors/themes and countries.

4 Center for Global Development (2006), *Building Africa's Development Bank: Six Recommendations for the AfDB and its Shareholders* <http://www.cgdev.org/content/publications/detail/10033/>

5 See World Bank website, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:20267225~menuPK:538673~pagePK:146736~piPK:226340~theSitePK:258644,00.html>

Cumulative aid to water and sanitation from multilateral agencies 1990 to 2004 \$ millions



Source: Development Initiatives, Background Paper for the Human Development Report 2006

What other agencies does the AfDB work with?

The AfDB was criticised in 2004 by the Multilateral Organisations Performance Assessment Network (MOPAN)⁶ for its failure to engage with other development actors.⁷ However, the AfDB has since become a signatory to both the Rome Declaration on Harmonisation and the Paris Declaration on Aid Effectiveness, the agreement among donors to better align and harmonise their policies behind recipient country policies. The AfDB works closely with a number of organisations in addition to the World Bank and International Monetary Fund, in particular, IFAD, UNDP, the European Union and certain bilateral agencies. The AfDB also has strategic alliances with the following pan-African institutions: United Nations Economic Commission for Africa, the African Union (including AMCOW and NEPAD), the African Business Roundtable and the African Economic Research Consortium. The AfDB is currently handling some aspects of the NEPAD programme, the Infrastructure Consortium for Africa supported by the G8, the Joint Africa Institute (with IMF and the World Bank) and since 2005 the African Water Facility at the request of the African Ministers' Council for Water (AMCOW).

6 MOPAN network members are the Governments of Austria, Canada, Denmark, the Netherlands, Sweden, Switzerland and the United Kingdom. The aim of the MOPAN survey is to generate knowledge about multilateral performance at a country level.

7 "The AfDB mostly works separately from other donors, and its participation in regular donor coordination activities and cooperation with bilateral donors is weak. AfDB-funded project consultants participate passively at (sector) coordination meetings. They rarely make technical contributions; they are not involved in strategic discussions." The MOPAN survey 2004, Synthesis report <http://www2.dfid.gov.uk/pubs/files/MOPAN2004.pdf>

Chapter 3

How is the AfDB organised and how are decisions taken?

How is the AfDB governed?

The **Board of Governors** is the highest policy making organ. The Board comprises one representative from each member country. The Board of Governors issues general directives on Bank operations and approves amendments to the Agreement, the admission of new members, and increases to the AfDB's capital. The Governors meet annually or more often at the request of five or more members. Regional members control 60% of the voting power on the Board, and 40% for the non-regional members.

The AfDB Board of Governors elects an 18-member **Board of Directors**. Twelve Directors are elected from RMCs and six from non-RMCs for a three-year term, renewable once. The Board of Directors oversees all Bank operations. The Board of Directors is resident at the headquarters of the AfDB and meets for business as often as the work of the AfDB may require. Voting rights are allocated in proportion to the number of shares held by each of the regional or non-regional member countries represented by an Executive Director.

The Board of Governors elects the **President** of the AfDB Group for a five-year term, renewable once. The President, who must be from an RMC, chairs the Boards of Directors, appoints Vice-Presidents – in consultation with the Boards, and manages the AfDB's daily operations. The current President is Donald Kaberuka, a former Minister of Finance from Rwanda. The President is the Chair of the Board of Directors and the Chief of Staff.

The AfDB is divided into five vice presidencies: three focused on operations (Country and Regional Programmes and Policy; Sector Operations; Infrastructure, Private Sector and Regional Integration), one for finance and one for corporate management.

How is the AfDB organised below executive level?⁸

The AfDB underwent restructuring during 2006 and a number of new departments were established. The AfDB is in the process of establishing a network of 25 country offices. At the time of writing, there are field offices in Burkina Faso, Chad, Cameroon, Egypt, Ethiopia, Gabon, Madagascar, Mali, Mozambique, Morocco, Nigeria, DRC, Rwanda, Sao Tomé and Príncipe, Senegal, Uganda and Tanzania. Opening new field offices is intended to increase the effectiveness of Bank operations and enable Bank staff to engage fully with national governments and other donors. The AfDB is seeking to recruit a water and sanitation expert to fifteen country offices.

8 An organisation chart can be found on the AfDB website: <http://www.afdb.org/pls/portal/url/ITEM/141D5CE76812D186E040C00A0C3D4DC3>

Which part of the AfDB is responsible for water and sanitation?

A Water and Sanitation Department (OWAS) was recently established under the Vice Presidency for Infrastructure, Private Sector and Regional Integration. The department aims to centralise the AfDB's water sector activities and to manage the large increase in financing for the sector. The department will support the implementation of the Rural Water Supply and Sanitation Initiative (RWSSI) and ensure funding for projects and studies in the water sector. It will also serve as a trustee for the African Water Facility Special Fund and will provide support to the NEPAD Water and Sanitation Programme, the multi-donor RWSSI trust fund (Denmark, France and the Netherlands) and a multi-donor Water Partnership Programme funded by the Netherlands, France, Denmark and Canada.

The AfDB is seeking to increase its professional staff capacity through the recruitment of more water and sanitation engineers, socio-economists, gender experts, financial analysts, and sector economists. A number of donor partners, including Finland, Denmark, UK, France and the Netherlands, are assisting with the provision of technical assistants.

Chapter 4

Where does the AfDB get its funds and what services does it provide?

Key facts

- The AfDB raises funds by issuing bonds, loan repayments, from donor contributions and from co-financing
- The AfDB has three lending windows – the AfDB, ADF and the NTF
- The AfDB provides loans to wealthier regional members at near market rates whereas the ADF provides long-term low interest loans and grants to the least developed members. The NTF also provides financing at below market rates for the poorer regional members

Where does the AfDB lend from?

The African Development Group has three lending arms:

- 1) The **AfDB** provides non-concessional loans to creditworthy members and in ‘blend’ countries (that is countries that have GNI levels high enough for them to be eligible for both cheap loans and lending at higher ‘near market’ rates, such as Nigeria and Zimbabwe). In 2006, US\$1.4 billion was for non-concessional (or more expensive) lending.⁹
- 2) The **African Development Fund (ADF)** provides highly concessional loans (or loans at very low interest rates and with long repayment periods) and grants to low income members that are unable to borrow at market rates from the AfDB. ‘Blend’ countries can also borrow from the fund. These funds are for basic economic and human development projects. In 2006, ADF activities amounted to US\$2 billion.¹⁰
- 3) The **Nigeria Trust Fund (NTF)** is the third and smallest arm of the AfDB group. Funded by the Nigerian government and financed by oil revenues, the NTF assists the development efforts of the poorer AfDB members whose economic and social conditions and prospects require financing on non-conventional terms. The NTF is under AfDB management. It lends at a 2 to 4% interest rate, and offers flexible terms for investment.

9 Statement by Donald Kaberuka to Ambassadors from the member states on 18 January 2007 http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/SPEECHES/TUNISIA-01%2018%202007-STATEMENT%20BY%20DONALD%20KABERUKA%20TO%20AMBASSADORS.DOC

10 Ibid

How does the AfDB group raise funds?

The AfDB raises funds for its operations by:

- Issuing bonds on the market – AfDB has a triple A rating (or excellent credit rating) and began last year to sell bonds to African markets
- Loan repayments from borrowing members
- Contributions from donor countries
- Co-financing with bilateral and multilateral donors and, in the case of private sector operations, with private banks and equity investors

The AfDB, like the World Bank, relies on periodic capital increases of its lending facilities by member countries. Donor countries contribute new funds to the ADF every three years. The AfDB's dependence on these funds gives donors influence over the way the money is used, and allows them to shape the policies and strategic directions of the institution.

The ADF is replenished every three years. The 11th replenishment of the ADF, which will run from 2008 through 2010, is expected to be more selective in its focus. Negotiations regarding donor contributions and related conditions began in March 2007.

Top recipients

Since 1967 when the AfDB first began lending, North Africa has received approximately one-third of the AfDB's portfolio (over US\$17 billion), a trend that continues today with Morocco and Tunisia being the largest borrowers. West Africa received roughly a quarter of all loans, with Nigeria the largest recipient. East (15.2%), Southern (13.7%) and Central (12.3%) Africa are the next largest recipients of AfDB loans, with Ethiopia, Mozambique and the Democratic Republic of Congo representing the highest recipients from the respective regions.¹¹

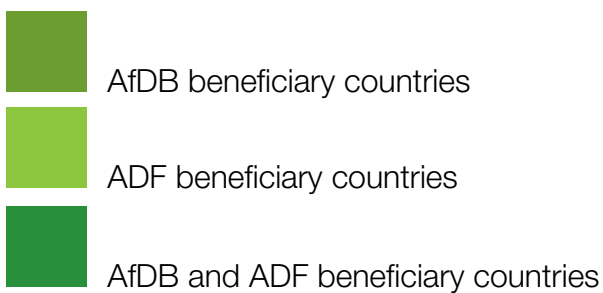
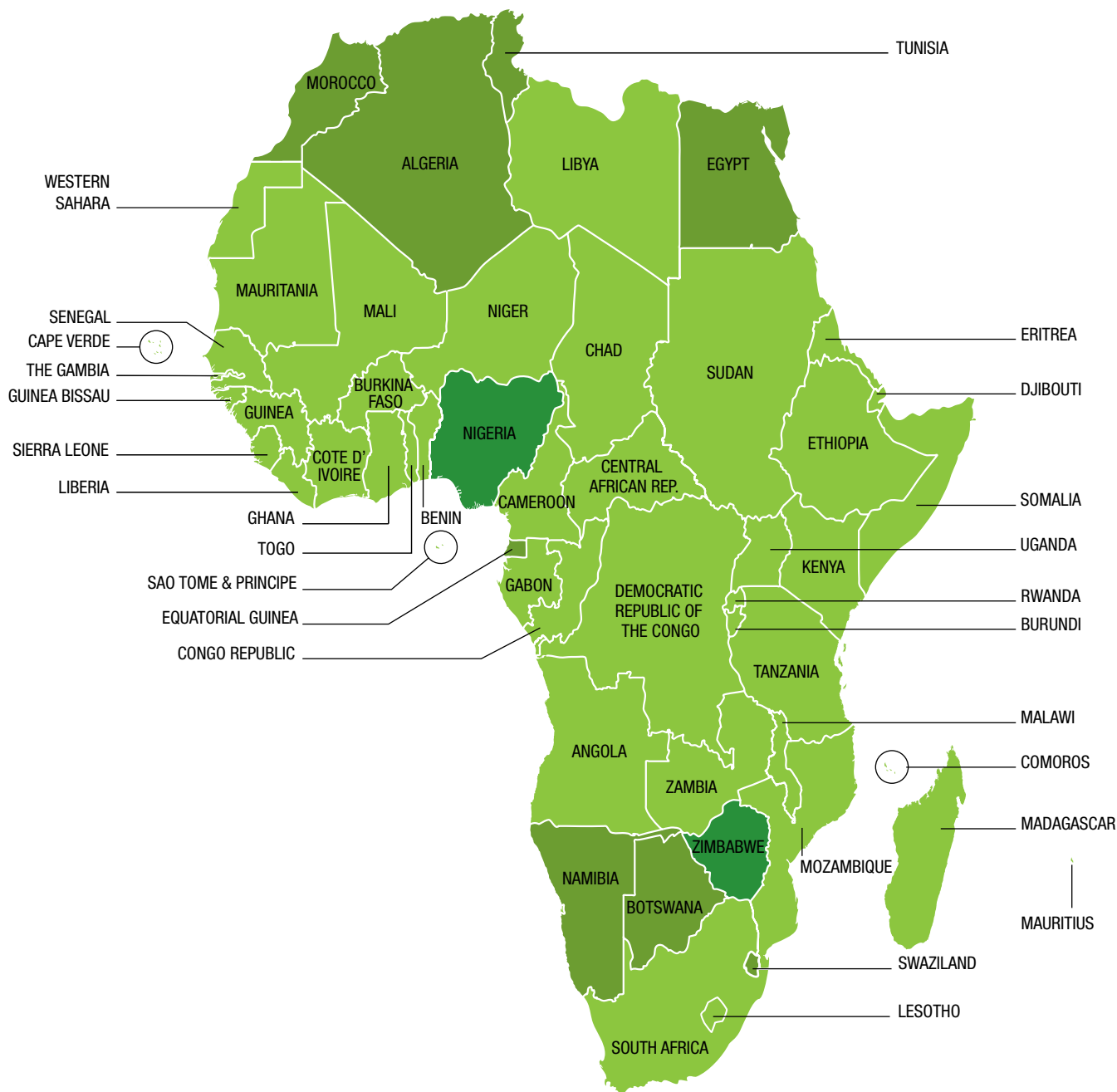
“Borrowers legitimately have been dissatisfied with the quality and speed of Bank services. We must strip away needless steps, bureaucracy, and build an internal service delivery culture.”

Donald Kaberuka, President of the AfDB, statement made at the ADF mid-term review, December 2006¹²

11 See Bank Information Centre, <http://www.bicusa.org/en/Institution.Lending.1.aspx>

12 http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/SPEECHES/ADF%20MID-TERM%20REVIEW%20STATEMENT.DOC
http://www.afdb.org/pls/portal/docs/PAGE/AFDB_ADMIN_PG/DOCUMENTS/SPEECHES/ADF%20MID-TERM%20REVIEW%20STATEMENT.DOC

The map shows that far fewer RMCs are eligible to borrow from the AfDB than from the ADF



On what criteria are decisions to lend made?

Country performance has a strong influence on the allocation of resources, and governance is an important factor in the assessment of country performance.

The AfDB uses a tool called the Country Policy and Institutional Assessment (CPIA) designed to assess the quality of a country's policy and institutional framework. This tool is closely aligned to indicators developed by the World Bank. The CPIA is used to assign a rating to each borrowing country, which determines how much lending it will be eligible to receive. Donald Kaberuka, President of the AfDB has drawn attention to some of the problems inherent in the system, which fails to take into account the particular context of post-conflict countries and which can make aid delivery volatile, and produce perverse results.¹³

How does the AfDB lend money?

Project loans are the main financing instrument. Project lending in 2005 amounted to 45.6% of total approvals.¹⁴

Policy-based lending (sector and structural adjustment loans) is less significant, accounting for only 12% of total approvals in 2005. The trend suggests that this type of lending may be on the increase along with an increased use of budget support.

The AfDB also makes **grants** (18.3% of total approvals in 2005). Infrastructure received the largest share of grant approvals (48.5% of total grant approvals), with water and sanitation receiving the largest share.

The AfDB participates in the World Bank and IMF's **debt relief** operations (22.2% of total approvals in 2005) within the framework of the HIPC initiative.

Guarantees and equity finance (account for the remaining 1.8% of approvals in 2005). The AfDB directly invests in private sector firms by purchasing equity (stocks and debentures) in privately-owned companies, with an emphasis on companies in the financial sector, and on public sector companies that are in the process of being privatised. The AfDB's policy prohibits the Group from owning more than 25% of any specific company.¹⁵

Technical assistance

“Beyond our role as a channel of development financing, there is another critical contribution which our countries desperately need – and that is not resources, but policy advice support on how best to do things”

Opening statement by Donald Kaberuka at the AfDB inaugural annual economic conference, November 2006

13 See speech by Donald Kaberuka at the ADF Mid-term Review, December 2006

14 African development Bank Group Annual report 2005 http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/FINANCIALINFORMATION/ANNUALREPORT2005_FULLVERSION_ENGLISH.PDF

15 Ibid

Technical assistance grants are provided by the ADF. These grants support the design, development and implementation of projects and programmes. Technical assistance grants are also available for the strengthening of national institutions and regional agencies. A Project Preparation Facility also provides reimbursable resources for feasibility studies, baseline data surveys, environmental impact assessment and other preparatory activities.

In 2006 the AfDB approved the establishment of the Office of the Chief Economist to develop the AfDB's statistical and analytical capabilities, and to support economists in the AfDB including sector specialists. The Office is also responsible for developing a network of development economists and practitioners with the aim of supporting policy evolution in member countries.

What terms and conditions are attached to loans?

Disbursement of loans is usually made in several tranches over an agreed disbursement period and is contingent on the fulfilment of conditions specified in the loan agreement.

Loans from the AfDB

The AfDB provides loans at non-concessional rates. Repayment of public sector loans takes place over a maximum of 20 years (including a grace period not exceeding five years). Private sector loans normally have a shorter repayment period.

Loans from the ADF

No interest is charged on ADF loans but there are small service charges on outstanding balances. Project loans have a 50 year repayment period with a maximum of five years grace.

What is the AfDB's current funding strategy?

“Resource allocation has been opaque, narrowly incremental, and driven by the pipeline rather than future strategic objectives and priorities.”

Donald Kaberuka, Statement at the ADF X Mid-Term Review, December 2006

In May 1999, the Board of Governors adopted the ‘Vision of the AfDB: A Re-Invigorated Bank: an Agenda for Moving Forward’. This Vision sets out the ambitions of the AfDB. The Millennium Development Goals, which have been endorsed by African leaders, also provide a basic framework for the AfDB's development activities.

The AfDB's 2003-2007 strategy states that the AfDB Group will give priority to agriculture and rural development, with special emphasis on water and sanitation initiatives in rural and peri-urban areas and to human capital development through primary education and basic health services.

A high level panel co-chaired by former President Joaquim Chissano of Mozambique and former Prime Minister Paul Martin of Canada, is currently developing a new strategic plan for the AfDB. The Panel, which is independent, consulted widely with stakeholders and produced an interim report at the AfDB's annual meetings in May 2007.

Chapter 5

How is the AfDB involved in water and sanitation?

“We are trying to help Africa close the gaps [...] – the credibility gap but also the gap in infrastructure, because better infrastructure is critical. In this regard, the AfDB has put an emphasis on road building and on providing access to water for rural people across the continent”

Donald Kaberuka, June 2006¹⁶

By end 2006, the AfDB had committed more than US\$4 billion to water supply and sanitation, representing about 7.7% of total Bank approvals since 1967. The number of water sector operations and the associated financing over the last five years have increased in comparison to other sectors financed by the AfDB.

The AfDB’s Strategic Plan for the 2003-2007 period places emphasis on improved water and sanitation services in rural and peri-urban areas. Over recent years, the AfDB has taken the responsibility for developing several regional water initiatives, most notably the Rural Water Supply and Sanitation Initiative (RWSSI); the African Water Facility (AWF) and the NEPAD Water and Sanitation Programme; as well as establishing the Water Partnership Programme (WPP) with donor partners to strengthen its own capacity to promote integrated water management principles and practices.

Rural Water Supply and Sanitation Initiative (RWSSI)

The RWSSI is the largest and most important of the AfDB’s water initiatives.

- The aim of the initiative is to provide safe water and basic sanitation to 66% of the rural population in Africa by 2010, and 80% by 2015, with the possibility of reaching 100% coverage by 2025
- The RWSSI seeks to achieve this aim by mobilizing funds from a range of sources; fast-tracking the preparation and implementation of national WSS programmes; encouraging greater coordination within the sector; capacity building for decentralised Government, communities, private sector and artisans; and ensuring beneficiary participation
- The cumulative investment required to achieve 80% coverage by 2015 is estimated to be US\$14.2 billion. Of this, US\$9.7 billion is for providing water supply infrastructure and associated investments; US\$4.4 billion is for provision of sanitation; and US\$95.5 million is for programme preparation and other facilitation
- These resources will need to be mobilized from international sources to cover approximately 80% of the overall requirements – 30% through ADF replenishment and 50% from other bilateral and multilateral donors – with the remaining 20% financed from government resources – 15% – and beneficiaries – 5%

16 Interview with Donald Kaberuka, June 2006 <http://allafrica.com/stories/200606120096.html>

Implementation will take place in three phases: The first phase (2004-2007) is estimated at a cost of US\$4.6 billion; the second phase (2008-2010) is estimated at US\$4.2 billion; and the third phase (2011-2015) is estimated at US\$5.4 billion.

Since 2003, the AfDB has approved 13 RWSSI programmes and projects for a total financing of US\$546 million (2003: 38 million; 2004: 35 million; 2005: 233 million; and 2006: 240 million). It is expected to reach about US\$760 million by end 2007 for 19 RWSSI programmes and projects.

US\$4.5 billion was required from all stakeholders (AfDB, donors, Governments and communities) to support the first phase of RWSSI in 18 countries. This target will be reached in terms of number of countries, but not in term of financing. Key donors to RWSSI are those contributing to the ADF replenishments. In addition, Denmark, France and the Netherlands are providing earmarked support through a multi-donor trust fund.

At the time of writing, the three donor countries had provided grants totalling US\$90 million (US\$40 million from France, DKK 230 million from Denmark and US\$25.5 million from the Netherlands). A number of donor partners, including FINIDA, DANIDA, DFID, the Governments of France and the Netherlands are supporting the initiative through the provision of Technical assistants.

There are 13 benefiting countries to date: Mali, Rwanda, Ghana, Benin, Senegal, Uganda, Madagascar, Ethiopia, Morocco, Chad, Tanzania, Mauritania, Zambia. Projected beneficiary countries in 2007 include Niger, Burkina Faso, Kenya, Mali (Second Programme), Mozambique and Nigeria.

African Water Facility (AWF)

The AWF is an initiative of the African Ministers' Council for Water (AMCOW) to mobilise financial resources for water resource development in Africa. The AWF is hosted and managed by the AfDB. AWF funds are primarily used to fund programmes and projects concerned with water resource management with a long-term view to creating an enabling environment which will attract greater investment in Africa.

The AWF is governed by a Council of thirteen members; five are appointed by AMCOW on a sub-regional basis, one by the AfDB, one by the African Union, one appointed by UN Water Africa, five from the donors to the Facility and the Director of the AWF.

Central and local governments, municipalities, NGOs, CBOs and regional, sub-regional and sectoral agencies are all eligible for grants ranging between €50,000 and €5,000,000. Financing or other form of assistance provided from the AWF is subject to the approval of the Board of Directors of the AfDB for amounts of over €500,000.

NEPAD Water Resources Management Programme

At the continental level, NEPAD provides the overarching framework for directing efforts to ensure water security across the whole of Africa through water resource development and management. The AfDB has the responsibility of assisting NEPAD to implement its water and sanitation infrastructure development program.

NEPAD and the AfDB have prepared a five-year Short-Term Action Plan (STAP) which includes the development of:

- national integrated water resources management (IWRM) policies
- mitigation of floods and droughts

- meeting basic needs
- trans-boundary water resource management (TWRM)

The implementation of STAP has focused on seven river basins: the Rivers Niger and Senegal in West Africa, River Congo and Lake Chad in Central Africa, River Nile in East Africa, and Rivers Zambezi and Okavango in Southern Africa.

The AfDB is also assisting NEPAD in the formulation of the medium to long-term strategic framework (MLTSF) for the Water and Sanitation Infrastructure Programme.

Infrastructure Consortium for Africa (ICA)

The ICA is a multi-donor initiative which focuses on infrastructure for water and sanitation, energy, transport, telecommunications and urban areas in Sub-Saharan Africa. It is not a financing agency but seeks instead to improve donor coordination, raise the profile of the sector, build capacity and mobilise finance. Its secretariat is in the AfDB. Since its establishment in 2005, it has invested in analytical work, for example, the Africa Infrastructure Country Diagnostic Study (AICD) and the medium to long-term strategic framework.

Chapter 6

What is the AfDB project cycle?

AfDB development assistance adopts a project cycle which follows a number of stages, similar to that of the World Bank. Below is a step-by-step guide to the project cycle.

Development of a Country Strategy Paper (CSP)

The CSP covers a period of two years and is based on the priorities of the regional member country's Poverty Reduction Strategy. CSPs set the development and reform agenda, point to investment and policy priorities and suggest how resources should be allocated. Once the AfDB's Board of Directors adopts a country's CSP, they become the basis for AfDB engagement in projects, studies and programme agreements with that country.

Project identification

- Submission of a specific project request by RMC government
- Consideration of the feasibility of the project by the AfDB
- Elaboration of project design, involving an examination and detailed description of the project's economic, financial and technical requirements as well as the conditions to ensure its success

Projects then go forward in the following stages:

1) Project preparation

- Feasibility and implementation study by government
- Field visit by Bank staff and appraisal of the project to clarify objectives, institutional and organisational implications, technical, economic and financial justification, and environmental and social impact.
- Preparation of a Bank appraisal report, which constitutes the basis on which the AfDB makes its decision to finance the project.

2) Formal negotiations

- Discussions between the AfDB and the government to define modalities for the disbursement of the loans
- Production of a record of the major points raised during negotiations, signed by both parties, and a legal agreement that defines the project and specifies the programme to meet its objectives
- Submission of the appraisal report to the AfDB's Board of Directors who may decide to approve or reject the project or programme, or authorise an additional appraisal to be made

3) Project appraisal

Finalisation of project design, operational details and procedures fully developed and endorsed by all parties.

4) Project implementation

Usually the AfDB does not play a direct role here.

5) Project monitoring and evaluation

At present, the Annual Project Performance Review (APPR) serves as the basis for monitoring performance and enables the AfDB to identify problematic projects and projects in need of more intense supervision. However, the AfDB acknowledges the need to develop an improved performance framework with clear and easily monitorable indicators. The AfDB handbook on stakeholder consultation and participation¹⁷ recommends that provisions for participatory monitoring, including by project beneficiaries, be built into project design, but in practice this is not being implemented consistently.

6) Project completion

Assessment of whether the project objectives have been achieved.

7) Portfolio review

Opportunity to collect stakeholder feedback on Bank operations.

Engaging with the AfDB operations: some questions for CSOs to ask

1. What is the degree of involvement of sector practitioners, end users and other domestic stakeholders in the project design stage?
2. To what extent are the project's goals, purposes, and outputs with the government's development strategy?
3. What forms of participation has the AfDB opened up in the oversight of the implementation and monitoring phases?
4. What levels of integration does the project have with central planning and financing mechanisms? In other words, are there predictable and stable forms of finance necessary for recurrent expenditures and project sustainability?
5. Are loans being used to meet capital expenditures only?
6. In the loan contraction process, what efforts are being made to disseminate information on the volume, terms and purposes of lending?
7. What percentage of loan and total project costs are reaching beneficiaries?
8. To what extent are community participation and beneficiary incentives adequate to maintain the project benefits over the long term?

¹⁷ African Development Bank (2001) *Handbook on Stakeholder consultation and participation in ADB operations* <http://www.afdb.org/pls/portal/url/ITEM/F5F73D98F326C243E030A8C0668C7C52>

Chapter 7

Transparency and accountability

Disclosure of Information Policy

The AfDB developed a new policy on disclosure of information in 2004, which was reviewed again in 2005. The main thrust of the policy is to “disclose all information on its operations and activities unless there are compelling reasons not to do so”.¹⁸

A range of operational information is to be made available (see table below) as well as information on environmental and social impact assessments; progress reports on project implementation; evaluations; information on procurement and services; Bank financial information and some administrative and legal information. Notably, the recent review made available summary decisions of the Board of Directors (see the disclosure policy for full details). Information that will not be disclosed include records of internal deliberative processes; legal advice and matters in dispute; internal financial information that may affect group activities in capital and financial markets; information dealing with internal administration.

While the AfDB’s policy is recognised to be progressive, in practice the Disclosure of Information Policy is not known to the public or to civil society organisations.

Operational information available from the AfDB

Type of information	What does it tell you?	How/when can you access it?
Economic and sector studies, reviews and strategy papers		Publicly available after consideration by the Board
Country Strategy Papers (CSP)	Outlines priority areas for bank intervention.	Draft should be available as part of the in-country consultation process.
Country Governance Profile (CGP)	Assesses governance and maps other donor interventions in this area	Publicly available after consideration by the Board
Country Dialogue Papers (CDP)	In lieu of CSPs for countries in chronic arrears or in non-accrual status (arrears of six months or more); serves as a basis for dialogue to accelerate resumption of Bank operations	Publicly available after Board approval

18 The AfDB Group Policy on Disclosure of Information, October 2005 <http://www.afdb.org/pls/portal/url/ITEM/18605BE4282F0594E040C00A0C3D1115>

Policy based loan documents (after Board approval)	Documents relating to quick-disbursing funds for policy and institutional reform.	Publicly available after approval of the loan.
Country Performance Assessment (CPA)	Made up of two parts, the Country Policy and Institutional Assessment (CPIA) and the Country Portfolio Rating (CPR).	The overall CPA is available on the AfDB website along with the CPR and the CPIA questionnaire.
HIPC-related documents	Provides information on amount of HIPC debt relief a country is entitled to as well as the plan to finance the balance of the AfDB group's share.	Documents available after Board review unless the country concerned objects.
Prospective Project Brief (PPB)	Makes project information available while a project is still under preparation and subject to change.	Public disclosure only after consultation with country government concerned.
Project Appraisal Reports (PAR)	Describes the project as well as the AfDB's assessment of the feasibility of and justification for the project.	Publicly available after Board approval.
Operations Policy Papers	Includes sectoral policy papers and guidelines.	Available on request through the Public Information Centre (PIC), field offices and the website within 2 weeks of approval by the Board of directors. Draft policy papers will be available on the website 50 days prior to Board approval.

Ways of accessing information

The AfDB has recently overhauled its website, making it easier to access a wider range of information on Bank operations and projects. Although this is commendable, it should be noted that many African organisations do not have reliable access to the internet.

The website provides a search facility which allows you to access details of projects by country, along with a record of loan and grant approvals organised by year, sector, and lending instrument. The country pages also provide links to Project Appraisal Reports, Country Strategy Papers, tenders, news and events. Most information on the AfDB website is available in both French and English.

For those who have further enquiries, there is a Public Information Centre (PIC) located at the AfDB headquarters in Tunis. The PIC is the reference point for those seeking information on the AfDB's operations and activities, although as decentralisation gets

underway, information on national programmes may be more easily available from country offices. When requesting project documentation, it is best to be as specific as possible and when possible, to ask for documents by name. A fee may be charged for some publications. The AfDB website provides contact details for the PIC and country offices.

In 2005, the Global Transparency Initiative (GTI) conducted research to test the disclosure policies of a number of International Financial Institutions (IFIs). They made requests for minutes of Board meetings, the current CSP for South Africa and for information regarding the consultation process for a new CSP that was about to be developed.

After being advised where to address requests for information by a member of staff in Tunis, the requests went completely unacknowledged. GTI was told that the Office of the President in country would be able to provide the information. This proved to be untrue.¹⁹

How is the AfDB held to account for the impact of its policies?

In 2004, the AfDB established an Independent Review Mechanism (IRM) which is similar to accountability mechanisms found at other IFIs (for example, the World Bank's Inspection Panel). The stated purpose of the IRM is "to receive requests from persons adversely affected by a project financed by a Bank Group entity." The IRM will receive such requests from two or more people who can demonstrate that their rights or interests have been negatively affected by the AfDB's failure to comply with its own operational policies and procedures.

The IRM consists of a Compliance Review and Mediation Unit (CRMU) and a Roster of Experts. The CRMU is a unit within the AfDB that determines the eligibility of a request, manages the process and carries out 'problem solving'. The CRMU may also recommend remedial action by way of a Compliance Review. If approved by the Board of Directors, external experts (remunerated by the AfDB) will investigate the AfDB's policy compliance in the project and submit findings and recommendations to the Board. The overall procedure is lengthy and it is not clear whether compensation is available to those whose request is judged to be rightful.

Civil society and the AfDB

Cooperation with civil society is still weak. The AfDB published its policy and guidelines on cooperation with civil society organisations in 1999.²⁰ The policy is said to 'reflect Bank commitment to seek effective collaboration with selected parts of Africa's civil society'. The document sets out ways in which CSOs can engage both in policy formulation and in operations. At the country level, CSOs may only participate in operations "after the consent of the RMC government, at least on a 'no-objection' basis". In addition the AfDB has its own 'CSO eligibility criteria', which are adapted depending on the context of each project and programme.

19 IDASA and the Global Transparency Initiative (2006), *Behind Closed Doors: Secrecy in International Financial Institutions*, edited by Catherine Musuva

20 African Development Bank (2001), *Cooperation with Civil Society Organisations, Policy and Guidelines* <http://www.afdb.org/pls/portal/url/ITEM/F878940A108BFECCE030C00A0C3D15DE>

Civil society concerns with the AfDB

- It is felt that the AfDB is heavily influenced by the more powerful international financial institutions. The majority of African members have limited capacity to contribute financially. Reliance on contributions from non African members means Africa ceding a measure of political control. As a result, the AfDB faces resource uncertainties and possible sabotage by those that would be threatened by a high profile Bank
- Information about the AfDB's operations is not easily accessible. Although the AfDB has recently updated its website, this information is not practically accessible to the majority of African CSOs without access to the internet
- There is limited awareness of the AfDB's operations, activities, policies, programmes and procedures among the local groups most affected by them. That said, the responsibility for keeping civil society informed does not lie with the AfDB alone, but also with member governments
- Limited understanding or confidence in CSOs and limited efforts to increase engagement

What are the mechanisms for NGO engagement?

It is unclear what mechanisms have been put in place to provide for the participation of civil society and NGOs in the project and programme processes. Some civil society organisations and NGOs are registered with the AfDB at its headquarters. However, African CSOs and NGOs have struggled to meet the AfDB's criteria for participation in Bank funded projects and programmes.

The AfDB's Environmental and Sustainable Development Unit is responsible for the coordination and development of its overall relationship with NGOs. This unit works closely with the operations departments of the AfDB to ensure that NGO views are taken into account in selected Bank operations and in policy dialogue with RMCs. With the decentralisation of the AfDB's operations, there is more scope for CSO engagement at the country level. However, this relationship is overseen and limited by governments. Efforts to involve stakeholders in, for example, the development of Country Strategy Papers, has so far been incidental.

AfDB/CSOs Permanent Committee

The committee was established in 1996 and was supposed to meet every year but this has not been the case.

- This committee was chaired by AfDB Representative and a representative of African CSOs and there are two representatives from each sub-region in Africa
- Discussions have not had a clear focus. The committee was meant to meet to discuss key issues in development that face the continent
- Engaging CSOs and NGOs in Policy making was considered to be one of the main objectives of the committee, but it has not been achieved because of poor interdepartmental coordination within the AfDB
- The committee expressed an intention to involve local NGOs in the monitoring and evaluation process, but this has not happened because of AfDB rules and legislation

Annual meetings

The AfDB annual meetings are held in mid to late May each year. The meetings may be a venue through which civil society organisations can exert influence on Bank management and policies, although this has not been the case so far. The meetings take the form of a ministerial roundtable followed by a series of seminars.

The AfDB has also organised a Water Week in the past (2004). This event brings together AfDB water staff, as well as invited external stakeholders, including clients, donor organisations, NGOs, and private sector representatives.

Annex

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