

PAHABT 241

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

C
A = Add
C = Change
D = Delete

Amendment Number
ONE

DOCUMENT CODE

3

COUNTRY/ENTITY
Africa Regional

3. PROJECT NUMBER
624-0434

4. BUREAU/OFFICE
REDSO/WCA

5. PROJECT TITLE (maximum 40 characters)
AFRICAN DEVELOPMENT BANK

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM DD YY
04 25 95

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)
A. Initial FY 85 B. Quarter 4 C. Final FY 94

8. COSTS (3000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	3,750		3,750	20,000		20,000
(Grant)	(3,750)	()	(3,750)	(20,000)	()	(20,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country		750	750		4,951	4,951
2. Other Donor(s)						
TOTALS	3,750.	750	4,500	20,000	4,951	24,951

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD				7,055				7,055	
(2) EN				3,624				3,624	
(3) DEA				4,321		5,000		9,321	
(4)									
TOTALS								20,000	

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)
To increase the number and amount of environmentally sound loans and profitable private sector investments approved annually by the AfDB.

14. SCHEDULED EVALUATIONS
Interim MM YY 07 87 MM YY 04 91 Final MM YY 04 95

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This part of a 39 page PP Amendment)
The purpose of this amendment is to increase LOP funding by \$5 million, extend PACD to 4/25/95, and to change the project purpose to the statement in 13 above.

Concurrence on methods of implementation and financing:

REDSO/WCA/WAAC

17. APPROVED BY
Signature: Frederick E. Gilbert
Title: REDSO/WCA Director

Date Signed: 04 DD YY 05 21 95

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

PROJECT AUTHORIZATION
(AMENDMENT No. 1)

Project Name: African Development Bank II
Project Number: 624-0434
Country: Africa Regional

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended (the "FAA"), the African Development Bank II Project was authorized on March 4, 1985 (the "Authorization"). In order to authorize, pursuant to Section 496 of the FAA, an increase in the amount of \$5 million in the life of project funding level and to expand the activities eligible to be financed to include staff training and policy and resource development in environmental impact assessment and private sector lending, the Authorization is hereby amended as follows:

a. Paragraph 1 is deleted in its entirety and the following paragraph is substituted therefor:

"1. Pursuant to Sections 103, 106 and 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the African Development Bank II Project for Africa, involving planned obligations of not to exceed \$20,000,000 in grant funds over a ten-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is ten years from the date of initial obligation of such project. The planned Project Assistance Completion Date is April 25, 1995. Authorized project funding will be charged to the cited appropriation accounts as follows:

Section 103	\$7,300,000
Section 106	\$7,700,000
Section 496	\$5,000,000"

b. Paragraph 2 is amended by inserting the following phrase at the end of the last sentence thereof:

"and will support staff training and policy and resource development in environmental impact assessment and private sector lending."

c. The first sentence of Paragraph 3 is deleted in its entirety and the following is substituted therefor:

"The project agreements and/or cooperative agreement(s) which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate."

d. Paragraph 3.a. is deleted in its entirety and the following is substituted therefor:

" a. Source and Origin of Commodities,
Nationality of Services

(1) With respect to procurements to be financed under a project agreement, except as A.I.D. may otherwise agree in writing:

(a) Commodities financed by A.I.D. under the project shall have their source and, except for motor vehicles, their origin in the cooperating country or in the United States.

(b) Motor vehicles financed by A.I.D. under the project shall have their origin in the United States.

(c) Except for ocean shipping, the suppliers of commodities or services financed by A.I.D. under the project shall have the cooperating country or the United States as their place of nationality.

(d) Ocean shipping financed by A.I.D. under the project shall be financed only on flag vessels of the United States.

Côte d'Ivoire will be deemed the "cooperating country" for purposes of local cost financing under long-term technical assistance contracts funded by the project.

(2) With respect to procurements to be financed under a cooperative agreement:

(a) Except as A.I.D. may otherwise agree in writing, all goods and services financed by A.I.D. under the agreement shall have their source, origin and nationality only in the United States or in those African Development Bank member countries that are included in A.I.D. Geographic Code 941.

(b) Ocean freight financed under the agreement shall be on U.S. flag commercial vessels unless otherwise agreed in writing by A.I.D.

(c) All air travel and shipments under this grant are required to be made on U.S. flag carriers to the extent service by such carriers is available unless otherwise agreed in writing by A.I.D.

e. Paragraph 3.b. is deleted in its entirety.

f. Paragraph 3.c. is deleted in its entirety.

2. The Authorization cited above remains in force except as hereby amended.

Frederick E. Gilbert
Frederick E. Gilbert
Director, REDSO/WCA

Date: 5/4/93

Clearances:

WAAC:TFallon
PMO:DRobinson
RLA:BMyers
OP:SWisecarver
D/Dir: DMutchler
PDE:KFinan

MEAT
DPA
Bm
SW
DM
KF

Date: 5/21/93 sr
Date: 5/13/93
Date: 5/19/93
Date: 5/21/93
Date: 5/21/93
Date: 5/20/93

ACTION MEMORANDUM FOR THE REDSO/WCA DIRECTOR

FROM: Kimberly Finan, AD/PDE

SUBJECT: African Development Bank II (624-0434) Project Paper Amendment Number One

Problem: Your approval is requested to authorize Amendment Number One of the African Development Bank II (AfDB II) Project (624-0434) to increase life of project funding by \$5 million, extend the project completion date two years, and focus activities on the areas of environmental assessment and private sector lending.

Discussion: The current project was authorized in 1985 with a life of project funding of \$15 million over six years. The project goal was "to promote essential economic and social development in AfDB member states, especially the poorest, as assisted by the AfDB Group," and the project purpose "to strengthen the capacity of the AfDB Group to develop and manage projects in an enlarging and improved portfolio." In the original design, the project funding was divided into two priorities: 1) institutional development, including long and short-term technical assistance, staff training and computer acquisition; and 2) portfolio development, or the financing of pre-investment studies, project preparation and evaluations. The project was managed out of the Africa Bureau in Washington until March of 1988, when this responsibility was delegated to the West and Central Africa Regional Economic Development Services Office (REDSO/WCA).

In the last eight years, the AfDB II project has funded a plethora of activities which can be grouped together under the areas of: staff training; pre-feasibility and post-evaluation studies; information resource management equipment, software and training; and policy elaboration (notably in the areas of project evaluation, environment, women in development and the private sector).

Project Amendment Description: The purpose of this amendment is to focus our institution-building efforts on two areas of development which are of particular interest to the U.S. Government; i.e., "to increase the number and amount of environmentally sound loans and profitable private sector investments approved annually by the AfDB." The project has two major elements, each providing training of AfDB staff and the creation of information resource centers.

Under the environmental element, the project will contribute \$2.15 million to finance one subcontract. Approximately \$875,000 is budgeted to provide training to sensitize Bank managers about the importance of environmentally sustainable development and to

strengthen the technical skills the Bank's operations staff need to improve the design of environmentally sensitive projects. Approximately \$150,000 will finance short-term observer(s) to advise the Bank on how to strengthen its environmental policies and guidelines for the implementation of these policies. Finally, approximately \$750,000 will be used to establish an Environmental Resource Center to link the Bank with relevant environmental databases and computer aided design systems.

The project will finance a second subcontract in the amount of \$2.1 million to provide the activities identified for the private sector element. This subcontract will include approximately \$700,000 for training of the staff of the Private Sector Development Unit (PSDU) and other operations staff with relevant responsibilities to evaluate and select loans and projects in the African private sector. Another \$100,000 will finance the development of new policies and operational procedures for the PSDU. And approximately \$1 million will be available for an Information Resource Center, to link the PSDU and other Operations Departments to relevant on-line databases and publications for evaluating the viability and assessing risk of private sector projects.

Project Committee Actions: On January 27, 1993, the REDSO/WCA project committee met to discuss the Project Paper Amendment. Six major issues were raised and resolved as indicated below:

1. Requirement for Support from AfDB's Top Management

Issue: For the activities financed under the AfDB II project amendment to be successful and have sustainable impact, they must have the support of high level AfDB management.

Discussion: The amendment activities have been designed in collaboration with technical staff of the two involved units, the Environment and Social Policy Division (CEPR-3) and the Private Sector Development Unit (PSDU), but for the amendment's objectives to be realized, the proposals must be accepted by higher levels within the Bank. Most importantly, the technical and managerial staff must be willing and allowed to participate in training, the two resource centers have to be perceived as useful and worthy of on-going support by the Bank after project funds are exhausted, and key policy reforms in both areas of intervention must be implemented. Some members of the project committee asserted that relevant covenants be included in the cooperative agreement.

The Program Office and Director agreed to begin negotiations with relevant members of Bank management to obtain agreement on these key points.

2. Measures of Project Impact

Issue: Need for concrete, measurable indicators of project impact at the purpose level.

Discussion: The Project Committee was dissatisfied with the proposed logical framework, judging the EOPS to be vague and not quantifiable. Members also considered the monitoring plan to be inadequate. These weaknesses were perceived to be particularly serious in light of the criticism leveled against the project by the Inspector General's audit and the Fourth-Year Evaluation.

The design team returned to the drawing board, and with additional technical input from REDSO and the staff of CEPR-3 and PSDU, developed more rigorous purpose-level indicators and a more detailed plan for monitoring project impact. The Project Manager will help the Bank's Cooperation Department to prepare the required semi-annual reports based on data collected by the staff of CEPR-3 and PSDU.

3. Need for Flexibility in Budget

Issue: Should some resources remain available for opportunities that may arise over the remaining life of project to consolidate achievements to date?

Discussion: Members of the Project Committee involved in implementation of the current grant argued that the project had made a significant investment in areas beyond the two selected for focus. They therefore recommended that the amendment reserve a budget line item for the financing of other worthwhile follow-on activities. Project designers responded that given the limited budget and the desire to streamline the contracting process, the amendment should remain targeted, but agreed to leave ten percent of the amendment's budget unprogrammed. They also agreed to establish criteria for eligibility and procedures for contracting these activities so that the same principles of focus and AfDB responsibility for implementation apply to this ten percent of the project.

4. Project Activity Completion Date

Issue: Can amendment objectives be achieved within the remaining two years of the project?

Discussion: The current project can only be extended two more years before it reaches a life of ten years, the maximum permitted for field authorization. The activities proposed under the amendment will not get under way until as long as one year after obligation. Most committee members were skeptical that the purpose-level objectives could be realized within these time constraints.

REDSO/WCA agreed to postpone a decision on extending the life of the project until the activities planned under the amendment have begun and demonstrated enough success to merit a request of AA/AFR approval of an extension of the 10-year PACD.

5. AfDB Financial Contribution

Issue: Should the AfDB contribute 25 percent of total project resources and, if so, how will this contribution be measured?

Discussion: The original Project Paper noted that because the Bank was a regional entity, it was not required by statute to make a host country contribution. Nevertheless, the paper did estimate the Bank's contribution in administrative support. The amendment design team concluded that the Bank has the resources to meet the 25 percent requirement for the amendment and thus requested a contribution of \$1.65 million. The REDSO Program Office agreed to develop a more rigorous system for providing auditable evidence of this contribution than has existed to date, and the AfDB agreed to provide an initial calculation of its projected contribution to the total project costs.

6. Grant Mechanism

Issue: Should the grant mechanism be changed from Handbook 3 to Handbook 13?

Discussion: The Fourth-Year Evaluation recommended that the amendment recognize that the AfDB was made a Public International Organization, and that the grant be changed to that governed by Handbook 13, Chapter 5. The current project managers suggested that, given REDSO/WCA's intensive involvement in implementation to date, a more appropriate choice would be a modified agreement allowing A.I.D. to retain substantial involvement in certain aspects of implementation. REDSO/WCA's Office of Procurement and Regional Legal Advisor thus consulted with FA/OP, and were advised that in this case a Cooperative Agreement under Handbook 13, Chapter 5 was an acceptable obligating instrument. A cable was sent to AFR/CCWA requesting authorization for this modified approach. A memorandum response from Paul Tuebner to Kim Finan was received on May 7, 1993.

Justification: In accordance with Delegation of Authority 551 dated March, 1989, as amended, you have the authority to approve project amendments, provided that the amendment does not increase life of project funding beyond \$30 million, nor extend the PACD beyond 10 years. This amendment will increase the life of project to ten years and funding to \$20 million.

REDSO/WCA received approval to sign an agreement with a PIO in STATE 153652, dated May 20, 1993.

REDSO/WCA received a budget allowance of \$2.5 million in STATE 151430 dated May 19, 1993.

A Congressional Notification was submitted on this amendment and expired without objection as reported in STATE 145840, dated May 13, 1993.

Recommendation: That you sign the attached Amendment Number One to the African Development Bank II Project (624-0434), thus increasing the life of project by two years and \$5 million.

Approved: *Fredrick G. Mellett*

Disapproved: _____

Date: 5/21/93

- Attachments:
1. Project Authorization Amendment Number One
 2. Project Paper Amendment Number One

Clearances:

DDIR:DMutchler	<u><i>DM</i></u>	Date: <u>5/21/93</u>
PMO:DRobinson	<u><i>DR</i></u>	Date: <u>5/21/93</u>
PMO:BKouassi	<u>(draft)</u>	Date: <u>3/1/93</u>
PDE:KFinan	<u><i>KN</i></u>	Date: <u>5/19/93</u>
WAAC:TFallon	<u><i>TF</i></u>	Date: <u>5/21/93</u> <i>ET</i>
OP:SWisecarver	<u><i>JS</i></u>	Date: <u>5/21/93</u>
RLA:BMyers	<u><i>BM</i></u>	Date: <u>5/19/93</u>
EXO:SWallace	<u>(draft)</u>	Date: <u>3/1/93</u>
PSD:OWhyche	<u>(draft)</u>	Date: <u>3/1/93</u>
PSD:ISamba	<u>(draft)</u>	Date: <u>3/1/93</u>
PSD:RHanchett	<u>(draft)</u>	Date: <u>3/1/93</u>

drafted:PDE:JNotkin:2/26/93

AFRICAN DEVELOPMENT BANK II
PROJECT PAPER AMENDMENT #1
(Project No. 624-0434)

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I. Summary and Recommendations

A. Recommendations

The Regional Economic Development Services Office of West and Central Africa (REDSO/WCA) recommends authorization of an amendment to the African Development Bank (AfDB) II Project (624-0434) to increase life of project funding by \$5 million and extend the project for two years.

B. Summary Project Description

Since its inception in 1963, the African Development Bank (referred to hereafter as the AfDB or the Bank) has suffered from shortages of experienced and qualified technicians and thus has remained behind other regional development banks in institutional capacity. To help the Bank address this limitation, the United States began providing support for institutional strengthening in 1968. The United States interests are, most broadly, to help the Bank to promote essential economic and social development in African member states, but also more specifically to ensure that the Bank retains its triple A credit rating and makes economically and environmentally sound loans.

The AfDB II project has funded a great range of activities in institutional capacity-building, primarily through technical assistance and training, the provision of computer hardware and software, and the contracting of feasibility and policy studies and project evaluations. While it has been difficult to measure the project impact at what was an ambitiously-defined project purpose, project evaluations to date have identified constructive results and recommended continuation of the project beyond the authorized life. A.I.D.'s Africa Bureau has therefore approved a two-year extension and \$5 million increase for the project.

Following a review of project history, audit and evaluations, and a series of interviews with Bank representatives, the REDSO/WCA Project Development Office recommends that the remaining funds for the amendment be focused on consolidating achievements in two areas: strengthening staff capacity to perform environmental impact assessments and to lend to private sector entities in Africa. The Bank's policies in both domains were developed largely in response to U.S. urging, and it is thus fitting that the U.S. provide support to the Bank to perfect the necessary skills of its personnel in these areas.

Implementation will be handled primarily through two institutional subcontracts to be let by the Bank under an umbrella cooperative agreement.

Environmental Element

The environmental element of the project will provide training to strengthen the understanding of Bank managers and operations staff (project designers) of the importance of

environmental preservation and to provide them skills germane to their respective work responsibilities. Roundtable workshops for Bank Executive Directors, Vice Presidents and Office Directors will be short-term and topical, and engage them in brainstorming sessions with prominent environmental experts to improve AfDB strategies, policies and procedures for environmental preservation.

Training for operations management and technical staff will help them hone the skills they need to implement and strengthen the Bank's new environmental policies, including the preparation and/or analysis of environmental reviews required for projects, and the integration of mitigating measures and environmental safeguards into project designs and implementation plans.

Specialized training for selected operations staff who already have significant exposure to environmental sciences will allow the Bank to build its in-house capacity for more technical environmental reviews and to guide and train other staff of the Bank and regional member countries in the implementation of environmental protection policies.

In addition to training, the amendment will fund a U.S.-based environmental observer who will visit periodically to critique the AfDB's compliance with its own environmental policies and procedures, and help the staff of CEPR-3 to develop more detailed and rigorous regulations and guidelines. The observer will remain an independent, outside influence, and will push the Bank to develop ever stronger mechanisms for environmental protection.

Finally, in coordination with other donors, the amendment will provide assistance for the design and realization of an environmental information resource center in which information on African environmental issues can be collected and accessed by Bank staff as well as other development organizations, member country governments, and researchers. The center will house documents as well as a computer network linking the Bank and other users to all relevant environmental data bases. The center will be designed to be modest in technology and scale so that its on-going operating expenses will be within the resources of the AfDB.

Private Sector Element

The private sector element of the project will also entail training; through the development and realization of individualized training plans for the eleven investment officers of the Bank's Private Sector Development Unit (PSDU). These training programs may include on-the-job training or internships with other international financial institutions. Seminars on topical issues of relevance throughout Bank operations (privatization, leasing, etc.) will be expanded to include officers from other departments and divisions of the Bank.

Funding under the amendment will also develop an information resource center for the PSDU, linking the Unit to international financial and trade data bases and periodicals relevant to the analysis of the investment plans proposed for funding. The training program will make use of this resource center for the preparation of country-specific investment reports.

Finally, the amendment will assist the Unit to develop an Operations Manual specific to its activities and to elaborate a policy for extending lines of credit to financial institutions in Africa.

Technical Assistance Fund

Ten percent of the amendment will be reserved for opportunities that arise over the course of the final two years of the project. These projects will have to relate to activities to which the grant has already made a significant contribution and impact, and for which a follow on investment is deemed crucial.

Beneficiaries

The direct beneficiaries of this project will primarily be the Bank staff whose skills and tools for project design are enhanced. However, the project will also ultimately have a broader impact on the poor populations of Africa by reducing environmentally damaging projects and increasing the potential for environmentally enhancing activities undertaken by the AfDB. By stimulating the development of the private sector which should generate employment and revenue, the project will also ultimately make a contribution to poverty alleviation.

C. Change to Cooperative Agreement

Since the original project was authorized, the President of the United States has designated the Bank as a Public International Organization (PIO). Thus, as recommended by the project's Fourth-Year Evaluation, the grant mechanism will be changed from that of Handbook 3 to Handbook 13. However, given the intense involvement to date of A.I.D. in the implementation of the project, the project committee recommended a modification of Chapter 5, and the use of a Cooperative Agreement rather than a grant. This will allow A.I.D. to retain substantial involvement in the contracting phase, helping the Bank to define the specific scopes of work for the two elements of the amendment, concurring in the choice of contractors, and approving the final contracts. This arrangement will make a more gradual transition in implementation mechanisms and will help ensure that the objectives of both A.I.D. and the AfDB are achieved.

The project will be obligated in two tranches, and will include four Conditions Precedent. For the first tranche, prior to reimbursement of the subcontract let under the

environmental element, the AfDB will provide to A.I.D. evidence that funds sufficient to cover the office space, utilities and personnel costs associated with the establishment of the Environmental Resource Center have been included in the Administrative Budget of the AfDB for 1994. For the second tranche, prior to receiving further reimbursement for activities carried out under this subcontract, the Bank will provide evidence that funds sufficient to cover the on-going operating expenses of the Environmental Resource Center have been included in the Administrative Budget of the AfDB for 1995.

Likewise, under the Private Sector element, prior to reimbursement of the subcontract let under the private sector element with funds from the first tranche of the grant, the AfDB will provide to A.I.D. evidence that funds sufficient to cover the office space, utilities and personnel costs associated with the establishment of the Information Resource Center have been included in the Administrative Budget of the Bank for 1994. Prior to receiving further reimbursement for activities carried out under the private sector subcontract, the Bank will provide evidence that funds sufficient to cover the on-going operating expenses of the PSDU's Information Resource Center have been included in the AfDB's Administrative Budget for 1995.

II. Project Rationale and Review of Grant to Date

A. Background

The African Development Bank was founded in 1963 to finance economic and social development in Africa through capital investment and development assistance. The AfDB Group includes three entities: the Bank; the African Development Fund (ADF), a concessional loan affiliate launched in 1972; and the Nigeria Trust Fund, also concessional aid, capitalized in 1976 principally by the Government of Nigeria with oil revenues.

The Bank began operations in 1966 with capital resources of \$300 million, a staff of 45, and a membership of 22 independent African nations. In 1982, it opened its membership to non-African countries, greatly enlarging its capital base and attaining the resource level of other regional development banks. Today, the bank has capital resources of almost \$3 billion, a staff of 1,252, approximately one half of whom are professionals, and has 51 African and 25 non-African members.

The United States joined the Bank membership in 1983 and joined the African Development Fund in 1976, and is currently one of the largest non-regional members. As of the fourth quarter of 1992, the United States' cumulative paid-in capital contribution to the AfDB Group was \$1,498 million, of which \$156 million went to the Bank, and \$1,341 million to the Fund. The United States has also contributed an additional \$944.2

15

million in callable capital to the Bank.

B. Project Rationale

In addition to these capital contributions, the United States has provided technical assistance to the Bank since 1968 through A.I.D., with the objective of strengthening the institutional and professional capabilities of the Bank and of institutions and private sector enterprises of member states that are involved locally in Bank-financed projects. From 1968 through 1976, A.I.D. provided the Bank a total of \$6.1 million in such assistance through a series of yearly grants. In 1978, A.I.D. signed its first long-term grant agreement with the Bank (Project No. 698-0127). Through this project, which lasted eight years, A.I.D. provided a total of \$7.5 million for institutional capacity building activities that included primarily pre-investment studies, technical services, training and related commodities.

C. AfDB II Project Summary

The current project, AfDB II (Project No. 698-0434, subsequently changed to 624-0434), was authorized in 1985 with a life of project funding of \$15 million over six years. The project goal is "to promote essential economic and social development in AfDB member states, especially the poorest, as assisted by the AfDB Group," and the project purpose "to strengthen the capacity of the AfDB Group to develop and manage projects in an enlarging and improved portfolio." The project was managed out of the Africa Bureau in Washington until March of 1988, when this responsibility was delegated to the West and Central Africa Regional Economic Development Services Office (REDSO/WCA).

In the original design, the project funding was divided into two priorities: \$7.7 million was programmed for institutional development, including long and short-term technical assistance, staff training and computer acquisition; and \$7.3 million was programmed for portfolio development, or the financing of pre-investment studies, project preparation and evaluations. In addition, the AfDB was to provide \$3.301 million in administrative and physical support as its contribution.

D. Other U.S. Interests

In addition to A.I.D.'s goal of supporting the AfDB in order to promote economic and social development of its member states, other departments and branches of the U.S. government have clear interests in the activities and capacities of the AfDB. The Treasury Department, for example, wishes to protect the U.S. capital investment in the Bank by ensuring that the Bank retains its AAA/AA credit rating. Given the Bank's current financial difficulties, Treasury urged that there be no increase in operating expenses during fiscal year 1993. The U.S. Executive Director at the Bank (Treasury's

representative) is also strongly encouraging the AfDB to extend only concessionary loans to the "Category A," or least developed, countries.

The Congress has also articulated certain development objectives for the Bank. Through legislation known as the "International Financial Institutions Act," it has instructed both the Treasury Department, through the office of the U.S. Executive Director, and A.I.D. to urge and assist the AfDB to: 1) promote mechanisms, including organizational, administrative and procedural arrangements, which will substantially improve the management of assistance to ensure the sustainable use of natural resources and the protection of indigenous peoples; and 2) establish guidelines within the Bank for targeting assistance directly at the neediest populations, including women, as well as for assessing the impact of their assistance on vulnerable groups.

Finally, A.I.D. also has priorities expressed through its Development Fund for Africa action plan, including strengthening the African private sector and supporting economic policy reform.

To date, the AfDB II project has funded a plethora of activities which can be grouped together under the areas of: staff training; pre-feasibility and post-evaluation studies; information resource management equipment, software and training; and policy elaboration (notably in the areas of project evaluation, environment, women in development and the private sector). The next step for A.I.D. will be to support the institutionalization of these new policies to the extent feasible within the budget of the amendment.

E. Evaluation and Audit Recommendations

Since the project began, two of the three scheduled evaluations, the mid-term and fourth year evaluations, have been completed, and in 1988, an audit was carried out by A.I.D.'s Inspector General. All three reports noted the difficulty of finding data to measure the impact of the project at the purpose level; that is, the impact the grant has had on the institutional development of the Bank, as opposed to its impact at the input/output level, i.e., numbers of Bank staff trained, pre-feasibility studies conducted, computer software programs procured, etc.

The Fourth Year Evaluation nonetheless did conclude that "the A.I.D. Grant has indeed had some impact in improving the Bank's institutional and staff capabilities, and that it increased sharply in 1989-90." Of greatest significance in this regard, the report credited the grant with supporting: 1) a study by Hay Management Group which catalyzed a major reorganization and a subsequent personnel redeployment plan within the Bank in 1987-89; 2) the creation of an Operations Evaluation Division, which has begun to institutionalize project evaluation and has published an Operations Manual

bringing the Bank's loan portfolio management procedures in line with those of the World Bank; and 3) the automation of all of the Bank's major financial management, programming and records systems through the provision of computer hardware and software and the training for staff in their use.

The major findings and recommendations of the audit and evaluations and the resulting adjustments to the project are culled and summarized below.

1. The Mid-Term Evaluation (May 1988)

The mid-term evaluation found the contributions of long-term experts funded under the program to be inadequate, and recommended technical assistance be limited to short-term consultancies with precisely defined tasks. A.I.D. subsequently terminated funding for long-term technical assistance under the grant.

The team also carried out a comprehensive review of the training component of the grant, investigating the overall quality of training programs financed as well as the application of skills learned to the jobs and careers of employees and to the goals of the Bank. The evaluation team identified a number of significant flaws in the Bank's Training Center, and recommended assistance for training be suspended until these problems were addressed. In particular, the team felt the Center was not making any meaningful effort to measure the impact of its training courses and did not have an effective structure or program for meeting the goals and objectives of the project. (The Human Resources Development expert on the evaluation team emphasized in his assessment that the Center did have the necessary human resources and information to implement the recommended reforms.) This criticism was reiterated in the IG's audit and is discussed further below.

This report also highlighted the project's contributions to the Bank's automation, concluding, "Without question, A.I.D. support has had an important positive impact on the Bank's data processing department, which in turn will improve the efficiency of operations of virtually every division within the Bank." The project funded the purchase of an IBM 4381 mainframe computer, a series of loan management software systems (a Project and Loans Management System, or "PALMS"; a Financial and Loans Administration System, or "FLAS"; and a loan assets and liability analysis software, known as "REALMS"), effective training programs, and two studies which made important contributions to the Bank's information systems strategy. In addition to financial management software, the grant helped establish a Computerized Post-Evaluation Information System (CPEIS) allowing the Bank to establish a data base for purposes of monitoring and evaluation. Finally, the report noted that the project succeeded in sensitizing senior Bank management to the importance of computers to the Bank's operations.

2. Inspector General/Dakar Audit (October 1988)

The IG audit made four recommendations; namely, that REDSO: 1) make a more concerted effort to measure project effectiveness at the purpose level; 2) enforce the project's requirement of an annual training plan from the Bank specifying the training needs of Bank personnel and a detailed schedule for training courses; 3) suspend assistance for training until the Bank submitted an acceptable plan for 1989; and 4) terminate funding for long-term technical assistance.

With regard to the first recommendation, REDSO management conceded it was difficult to measure achievement according to the original project logframe, and promised to amend the project paper to "provide more appropriate and reliable progress indicators which could be logically tied to specific institution-building objectives." The new logframe, approved in February of 1989, reduced the End of Project Status (EOPS) indicators from seven to two, making these "simpler, more realistic, and easier to verify." These new indicators were: 1) at least 60 percent (as opposed to 80 to 90 percent in the original logframe) of AfDB projects will be accomplished within the originally planned time frame; and 2) requirements for externally-funded technical assistants (TAs) will be reduced to 15 consultants by 1991 (compared to a staff of approximately 500 professionals).

In practice, the new indicators did not provide more relevant measures of the progress of the project towards achieving its purpose of strengthening the institutional capacity of the Bank. The PP supplement also outlined a plan to monitor the rate of Bank disbursements against the planned disbursement targets, and to use the number of externally-funded TAs, both within and outside the project, as a measure of strengthened internal management capacity. New outputs included management training provided for 80 percent of professional staff, and financial, engineering or technical analysis applied to 80 percent of approved projects.

In response to the audit's second and third recommendations, REDSO suspended funds for training for almost 18 months, from early 1988 to August of 1989. Funding for training was resumed after the project had financed a short-term consultancy mission to help the Training Center develop a training plan for 1989-91 and AfDB management had approved the plan. The Training Center has made progress since that time, but continues to have difficulties integrating its activities with other Bank operations. The PP supplement cancelled financing for member-country staff training and, in response to the fourth recommendation, for additional long-term technical assistance.

3. Fourth-Year Evaluation (April 1991)

The Fourth-Year evaluation made numerous recommendations, the most salient of which are enumerated here. It concluded

that the impact of the grant to date had been positive, and recommended the project be extended an additional five years in order to consolidate the gains made. The report also suggested that:

- o the grant funds be focused on fewer, more specific areas, especially those the U.S. government considers to be policy priorities and in which the U.S. expertise offers a comparative advantage, such as natural resource management, the private sector, Bank staff training and computer systems;
- o the Bank, as a Public International Organization (PIO), be delegated more responsibility for implementing the loan under the guidance of Handbook 13 (as opposed to the current arrangement under Handbook 11, which is more management-intensive for REDSO staff);
- o REDSO and the Bank improve data collection for monitoring and evaluation, especially for measuring the impact of the project at the purpose and goal levels; and
- o the Bank's Training Center be reorganized, its budget increased, and future training under the grant emphasize short courses providing specific quantitative technical and economic skills to operational staff.

The evaluation team recommended a change in project managers and the appointment of full-time project manager within the Bank, but the suggestion was rejected by both REDSO and the Bank as unnecessary. The Bank also judged that the proposals regarding the Training Center would not be feasible given current financial constraints. Both the Bank and REDSO did, however, agree with the recommendation that the Bank be considered a PIO and be eligible for assistance under Handbook 13. The issues of focus and data collection are discussed further below.

4. A.I.D./W Review

A draft PP Amendment was submitted to A.I.D./Washington for review in August of 1992. In its report of this review (STATE 289472, attached to this paper as Annex D), the Project Committee acknowledged that REDSO/WCA had been delegated the authority to approve the amendment, but expressed concern about the lack of focus in the proposed strategy. The Project Committee also observed that it was difficult to see a clear link between the wide variety of disparate activities proposed for funding in this draft and the achievement of the project purpose.

Because this feedback so closely reflected the conclusions of the evaluations and audit, the staff of REDSO

agreed to re-examine the strategy for the amendment and determine if it could be focused in a way that would make the impact more clearly measurable. REDSO staff thus began a series of interviews with representatives of a variety of departments within the Bank, with the intent to identify what progress had been made in institutional development since the beginning of the original project, and to choose fewer priority areas in which to concentrate this final assistance from A.I.D.

F. Financial and Impact Data Management

As discussed earlier, the Fourth-Year Evaluation highlighted significant weaknesses in data management within both the Bank and REDSO. The team concluded that the Bank had not yet established analytical systems or data on the nature of its loan portfolio, beneficiaries, rates of disbursement, repayments or loan impact. They also observed that REDSO was not collecting data that could allow it to monitor the impact of the grant at the goal and purpose level, and linked this lack of data to the Bank's own inadequate data bases.

The issue of the monitoring of project impact will be addressed by reformulating the purpose statement once more and by revising the purpose-level measures of project impact. The amendment will also specify the data to be provided on project implementation and impact in semi-annual reports to REDSO, which will be prepared by the two departments receiving assistance or by an independent contractor. (See the implementation plan in Section IV of this paper.)

The AfDB II grant provided a considerable amount of computer hardware and software that has improved the Bank's systems for both project post-evaluation (impact monitoring) and financial accounting. In the first area, a Computerized Post-Evaluation Information System (CPEIS) was designed and installed in 1991, and has provided a network enabling the Bank to compile, store and retrieve the main findings, lessons and recommendations from the post-evaluation of its projects. The objective of CPEIS is to improve project design and strengthen Bank lending. The system is managed jointly by the computer department (ACOS) and the Operations Evaluation Office (OPEV) and is accessible to OPEV staff as well as operations and policy staff of the Bank, and interested individuals from member countries and donor organizations.

The grant also provided valuable computer hardware and a number of accounting software packages: a Project and Loans Management System (PALMS); Financial and Loans Administration System (FLAS); and a loan assets and liability analysis software (REALMS). However, the Bank now has improved but still not integrated financial management systems. Data from the accounting, budget, treasury, disbursements, administration and payroll are all calculated separately, posing enormous problems for the reconciliation and integrity of data, and delaying the production of financial reports.

Moreover, much of the reconciliation of data must be done manually. As a consequence, the Bank can only generate quarterly reports, and these are not available until 30-45 days after the end of each quarter. This undermines its ability to manage its budget, disburse and collect loans, and analyze its performance -- all fundamental activities to the functions of a Bank.

Bank management is aware of this problem and has mandated a solution -- without, however, providing a line item in the budget for implementing it. There are currently two proposals put forth by two different departments, the Accounting Department and the Computer Services Department, and their divergent approaches reflect the different perspectives of the two disciplines. Both are based on what is known as the SIGAF study, a three-volume diagnostic review of the Bank's needs in the area of integrated financial management which was carried out by an independent consulting firm, KPMG Hazem Hassan.

While an upgrade of the Bank's financial management systems is essential to its operations, REDSO concluded that the proposals as drafted by the Bank describe a system that goes to the heart of the Bank's mainstream activity: making and recovering loans. As such, they are fundamentally operating expenses of the Bank, and in accordance with the prohibition against A.I.D.'s augmenting the U.S. Government's capital contribution to the Bank, the software should be financed from the Bank's own resources or those provided during the replenishment. The Office of the U.S. Executive Director to the Bank believes that Bank management will find a means for resolving this issue and financing the solution chosen.

G. Revised Project Strategy

In light of the project achievements highlighted by these reviews and their recommendations, A.I.D. agreed to continue its assistance to the AfDB through one final tranche of \$5 million over two years. In order to consolidate the achievements of the assistance of the past twenty-five years with the modest resources that remain, it is logical and appropriate to focus the assistance as suggested in the Fourth Year evaluation on the areas of highest priority for U.S. policy and where the United States can offer a comparative advantage.

Following interviews with representatives of various departments in the Bank, REDSO staff determined that the most constructive investment of the \$5 million would be in support of the institutionalization of policies in two key areas: environmental impact assessment and private sector lending. Both are areas in which the Bank has made significant strides, where the needs for further development are clearly identifiable, and where the leadership concurs with the proposals of A.I.D. for support. Although poverty alleviation, women's issues and monitoring the impact of

lending on the poor are also important priorities, REDSO staff decided that the budget for the amendment was not sufficient to produce measurable achievements in more than two activities.

Thus the project amendment will continue to pursue the objective of institutional strengthening, but will target two facets of this broad field. In reflection of this narrower scope, and to address the difficulties in monitoring project impact to date which the 1989 revision to the logframe did not fully resolve, this amendment will reformulate the goal and purpose statements. The original purpose statement will be raised to the level of the project goal: "to strengthen the capability of the AfDB to develop and manage more efficiently projects and loans in an enlarged and improved portfolio." The purpose statement will then be reformulated as follows: "to increase the number and amount of environmentally sound loans and profitable private sector investments approved annually by the AfDB."

Along with the more precise purpose statement, the amendment proposes a new set of impact indicators at the purpose and output levels, including:

Environmental Element

- o 100% of Category I and II projects include environmental mitigation and rehabilitation measures in project designs and implementation plans and require appropriate number of field visits to ensure 100% of EIA recommendations are respected;
- o 80% of approved Category I and II loans have environmental monitoring plans;
- o Pelosi amendment requirement for 120 day prior review of projects with EIAs before their submission for vote by Board observed for 100% of projects;
- o Number of U.S. Executive Director's absentions on environmental grounds reduced to zero;
- o 30 managers and 25-50 Operations staff receive training.

Private Sector

- o The Private Sector Development Unit (PSDU) has processed and submitted for Board approval 32 viable investment projects totalling \$155 million;
- o \$10 million (or 10%) of processed loans are extended to companies in which women's participation in financing or personnel equals a minimum of 30%;
- o Lines of credit policy approved by Board of Directors and extended to 10 private financial institutions in Africa

totaling \$50 million; 30% of loans under these lines are extended to small enterprises (total value under \$100,000);

- o 11 investment officers and 25-50 technical operations staff trained (including skills for lending to small and medium enterprises);
- o Standard operational procedures for PSDU are in place and consulted actively by investment officers.

The revised project logframe is attached as Annex A.

The A.I.D. Project Manager worked with the staff of CEPR-3 and the PSDU to collect baseline data on these purpose-level indicators. During the life of the project, the AfDB will provide A.I.D. semi-annual reports with data on these indicators as a way of measuring the progress made towards achieving the project purpose.

In addition to the two major elements, the amendment will set aside ten percent of the amendment budget for a technical assistance fund. This fund will support activities in which the grant has already made a substantial investment and had a significant impact, and for which additional support is deemed critical. The exact activities will be identified over the remaining two years of the project and will be contracted directly by the AfDB.

III. Status of Institutional Capacity of the AfDB

A. Update of Institutional Analysis

1. Bank Organization

The supreme decision-making unit of the AfDB Group is the Board of Governors, comprised of representatives of all 51 African and 25 non-African member countries. Each member country has votes proportional to its paid-in shares. No member country nor group of countries has veto powers, and decisions are generally made through consensus. The Board of Governors meets annually to deliberate on new policies and to review the implementation of past policy decisions. The Bank Group also has a Board of Directors responsible for general operations. The Board of Directors has 18 members, 12 elected by and representing the African member countries; 6 elected by and representing the non-African members.

The President of the Bank Group is elected by the Board of Governors for a term of five years. Reporting to the President are five Vice-Presidents: Operations Region I (Northern Region); Operations Region II (Southern Region); Finance; Administration and General Services; and Central Operations. The Regional operations include country programs departments, which draw up country lending programs, administer loans and conduct policy dialogue with borrowing

members; and technical project departments and subdivisions in the areas of agriculture/rural development and infrastructure/industry. The Central Operations department includes the environmental policy division (CEPR-3), the Private Sector Development Unit (PSDU), the Training Center, and a Women in Development unit. See Annex B of this paper for an organizational chart of the AfDB

In addition to these five departments, there are four other independent offices that report directly to the President. The Operations Evaluation office (OPEV) is one of these. The AfDB II grant has provided significant assistance to this office to enhance monitoring and evaluations of the impact of AfDB lending on recipient countries and to feed lessons learned into improved Bank Group operations, policies, practices and procedures.

2. Assessment in Original Project Paper

The institutional analysis in the AfDB II Project Paper highlighted a number of weaknesses in the Bank's structure, but concluded that, on the whole, these problems were fairly typical of semi-public bureaucracies. The Bank's overall structure was considered to be sound. The analysis also observed that Bank management recognized these problems and appeared committed to addressing them.

The major weaknesses identified were the following:

- 1) Authority was not delegated enough nor clearly delineated, leading Bank management to be reluctant to take decisions and to focus on process rather than results;
- 2) Coordination and cooperation among the various departments was poor, leading frequently to duplicated efforts or to activities for which none took responsibility;
- 3) Stated policies for improving the training of Bank staff often failed to be implemented. largely because the Training Center (formed in 1978) was understaffed and without clout within the larger institution;
- 4) Information flow, particularly in lateral directions, was inadequate (though this was expected to be ameliorated by new data processing systems);
- 5) Financial training and skills among Bank staff were inadequate;
- 6) A structural inability to allow for the elaboration and implementation of comprehensive, long-term planning; and

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- 7) The lack of an established organizational structure for the career development and advancement of professional staff which would attract and retain quality personnel.

It has not been feasible to perform a comprehensive update of the institutional analysis for this amendment, but some general insights have been collected during interviews of Bank staff. Information management and project evaluation have improved considerably, as described in Section II.F of this paper. In addition, a job classification program is nearing completion, and this has created a formal and regular grading system for employment within the Bank. The system has been in development for over ten years, and official implementation has finally been approved. The human resources department soon plans to begin development of a performance appraisal system, which will formalize the procedures and criteria for career advancement. Long-term planning should be strengthened by the computerized post-evaluation system described in Section II.F.

The weaknesses of the Training Center persist, as do the problems of unclear authority and responsibility, but Bank management recognizes the problems and is making gradual progress in overcoming them. Clearly, institutional reform comes slowly to all large bureaucracies, particularly those employing a wide diversity of cultures and nationalities.

3. Observations from Evaluations and Audit

The two evaluations and the IG audit provide further information on where improvements have been made and where problems continue.

The Fourth Year Evaluation observed that "a slow process of institutional improvement has been taking place [in the Bank] since 1985," which, if sustained, would be significant. In particular, the study noted that: 1) in 1985, following a mid-term review of its first Five-Year Operational Program, an internal committee developed a list of 150 recommendations for improving Bank performance; 2) a major organizational and management review conducted in 1986 led to a revised organizational structure, which was implemented between 1987 and 1989; 3) a follow-on study of the quality and capability of Bank personnel identified 10 percent as being unsuited to their current positions and led to a redeployment plan; and 4) in 1989, standard operating procedures were introduced bringing the AfDB's management procedures "into line with those of the World Bank and other regional development banks."

Further on the positive side, the evaluation pointed out that reforms to the Bank's policies, procedures and operations have led to a stronger, more diversified loan portfolio, a more functional structure, and more vigorous and consistent lending procedures. It credited the A.I.D. grant with contributing to the institutional strengthening of the Bank.

By 1990, the Bank had introduced systematic country programming, improved project appraisal procedures and a new loan administration system. The major credit rating agencies, Moody's Investors Service and Fitch Investors Service, have given AAA ratings to the Bank's senior debt and AA+ to its subordinated debt since 1984. Standard & Poor's upgraded its rating of the Bank in June of 1990 from AA+ to AAA for the senior debt and from AA- to AA for subordinated debt, citing a further strengthening of the Bank's traditionally conservative financial policies and the steady improvement in its operations and administration.

The Fourth-Year evaluation also cited some continuing vulnerabilities of the Bank. For example, notwithstanding a revised organization structure designed to help the Bank implement its newly issued standard operating procedures, "the missing link appears to be an adequate number of qualified staff to use the systems and processes to carry out quality work." In other words, there is often a significant lag in the implementation of newly issued policies including, to various degrees, those concerning the environment, poverty alleviation, and women in development. Others familiar with the internal workings of the Bank have observed that many departments have been able to recruit academically qualified staff, but these new officers lack practical experience in their respective fields.

It was the evaluation team's judgement that while the project evaluation process is "slowly becoming institutionalized," post-evaluations carried out by the Bank of loans made to-date have revealed limited success in Bank projects. Bank management itself has conceded that the Bank is constrained by both the abilities of its staff and by "internal processes," including political pressures exerted in favor of the approval of certain projects, variable (by individual) staff abilities to identify, design and analyze projects, and a chronic failure to correct problems identified in evaluations. Again, to be fair, these difficulties are not unique to the AfDB, and efforts are being undertaken to alleviate them.

B. Environmental Impact Assessment

1. Establishment of Policy Guidelines

At the end of 1989, legislation known informally as the Pelosi amendment to the International Financial Institutions Act placed certain restrictions on U.S. voting in multilateral development banks on issues concerning the environment. This legislation served as a catalyst for negotiations between the AfDB, the United States and other non-regional contributors, which in turn led to extensive internal preparation of an Environmental Policy Paper. The AfDB Board of Directors approved this policy in June of 1990. Thus an official document now defines procedures and mechanisms for the environmental assessments of all projects considered for funding by the Bank

Group.

Although initially there was resistance among some Bank staff to what was considered an externally-imposed policy, there has been, over time, a growing understanding of and commitment to environmental protection. The current policy is comprehensive, and includes instructions for evaluating the environmental impact of projects at each stage of the project cycle, from the first feasibility studies to oversight of the implementation of mitigating measures.

In May of 1992, the Environment and Social Policy Division issued Environmental Assessment Guidelines to be used by operations staff as a handbook to help them identify environmental issues in project development. This handbook is a preliminary reference source for technical staff to be used until the more thorough sectoral environmental guidelines, currently under preparation, have been published. In the meantime, many AfDB staff refer to the World Bank's three volume guidelines for advice with mitigating measures and other specialized questions.

2. Staffing Development

An Environment and Social Policy Division was established in 1987 within the Central Projects (or the policy development) Department of the Bank. This division is responsible for formulating policies and guidelines relating to the environment and for overseeing the implementation of these policies by the Operations (or technical project development) Departments. It has also, more recently, begun to collaborate with other international environmental organizations. At the end of 1992, there were eight environmental positions in the Division, seven of which were filled. Of these, two were long-term technical assistants from non-regional member countries. Two additional positions were expected to be created and financed by Norway and Holland, respectively, and filled by long-term consultants.

Both the Director of Central Projects Department (CEPR) and the Chief of the Environment and Social Policy Division (CEPR-3) are widely respected for their capability and commitment to environmental stewardship. The head of the Environmental Division also has a clear vision of the Bank's staffing and training needs in environmental assessment. Each of his staff members had environmental training or relevant work experience, as well as a specialized background in a technical field (engineering, forestry, water sanitation, agronomy, law, social ecology and economy).

The Chief of CEPR-3 admits candidly that this office did not become fully operational until the beginning of 1992, when it finally had sufficient staff to ensure that the environmental policy was applied to all newly-initiated projects. Projects

which were further along in the project cycle by that point did not receive the comprehensive review now required, because the Bank did not have the staff or the experience to cover all projects under development. Indeed, the concerns expressed by the U.S. Government (notably the Congress) about the weakness of the Bank's environmental policy generally relate to projects initiated before 1991, and it now appears that this policy is being more rigorously and effectively applied.

On the other hand, it is not clear if the Environmental Division yet has sufficient political clout within the Bank to ensure that its recommendations are enforced. For example, the Bank does not yet require clearance by an Environmental officer as a condition of project approval, although the Environmental officers or the Division can, in theory, block projects from Board consideration.

In addition to creating the Environment and Social Policy Division, the Bank is identifying positions within the Operations Departments to be filled by individuals who have graduate level environmental education or equivalent work experience. (Operations is divided into two geographic regions, each with a Country Programs Department staffed with loan officers and country economists; and with an Agriculture and Rural Development Department and an Industry and Infrastructure Department staffed with technical project officers. For further clarification, please refer to the AfDB organizational chart attached to this paper as Annex B.) These environmental staff are expected to work with the other operational staff during project development to prepare Initial Environmental Examinations (IEEs), review Environmental Impact Assessments (EIAs) and incorporate environmental protection measures into project designs¹. At the end of 1992, three such staff were in place, with the possibility that one more would be recruited. Operations staff interviewed felt that the Bank should ultimately have an environmental specialist within each of the three divisions of the two operations departments, or six altogether.

Thus by 1993, the Bank will have approximately thirteen environmental officers on its staff (more than the ten advocated by the U.S. Senate in its report to the FY 1993 Foreign Operations Appropriations bill). The Bank maintains a fund for short-term consultancies to meet its intermittent needs for more specialized environmental skills. There is also an abundant trust fund furnished by donors for the same purpose which, in

¹It is worth noting that the bank has adopted the term Initial Environmental Examination (IEE) used by A.I.D. and other bilateral donors, but that it uses Environmental Impact Assessment (EIA), what the environmental field considers to be a generic term for environmental review, as the equivalent of an Environmental Impact Statement, or the most rigorous environmental review.

practice, has financed most of these services.

A number of training sessions have been held Bank-wide to introduce the new environmental policy to staff. According to the staff of the Environmental Division, these training courses have been important in raising staff awareness and appreciation of environmental issues. Nevertheless, they believe there is still a need for further work, both at the level of general sensitization of operational staff and management to the importance of environmental stewardship, and at a more technical level for selected individuals. In particular, because EIAs are performed by external consultants, more Bank staff need to be able to assess the quality, comprehensiveness and recommendations of these reports.

3. Environmental Screening of Projects

When a project is initiated, the Operations Departments work together to prepare two-page project briefs, in which they must address 19 questions of environmental relevance about the proposed project. These briefs are submitted to the Environment and Social Policy Division for review and the development of an Initial Environmental Examination (IEE), which classifies the project according to its level of environmental impact. This examination is required of all projects. The Bank has three environmental categories for its projects:

Category 1: Projects with significant environmental impact, and which therefore require detailed field review and in most cases an Environmental Impact Assessment (EIA). [This category includes all projects proposed for environmentally sensitive areas (ESAs).]

Category 2: Projects with limited environmental impacts that can be routinely resolved by applying mitigation measures or modifications to the project design. These projects may require a full EIA. [This category now includes all structural adjustment loans.]

Category 3: Projects not anticipated to have adverse environmental impacts, and which would not require detailed environmental review.

Once an IEE has been completed and the category assigned, the assessment is reviewed and approved by a Bank Inter-Departmental Committee. As of 1993, the operational staff of the Bank draw up the Terms of Reference for the EIA and the Environment and Social Policy Division review and control these documents. It is important to note that the recipient government or entity will ultimately be responsible for both preparing and carrying out the EIA. However, during an initial period the Bank has been assisting with this process. The EIA is usually

contracted out to an independent consultant or firm. As necessary, the Bank will continue to help loan applicants identify consultants to perform these assessments and funding sources for these services.

Upon its completion, the EIA is reviewed by the staff of the Environment and Social Policy Division (or, eventually, by operational staff) for adequacy and compliance with the Terms of Reference. A member of the operations staff pointed out, however, that due to staff limitations, these reviews cannot always include field missions, and cited an instance in which the desk review at the Bank did not detect significant weaknesses in the EIA. Thus this review process evidently needs to be strengthened.

Increasingly, efforts are being made to translate the recommendations of the EIA directly into the project designs for Category 1 projects, and to build environmental safeguards into Category 2 projects as well. Clearly, the extent to which this actually occurs depends upon the commitment and environmental skills of the project officer.

The next steps in the environmental review cycle are the consideration of the EIA summary by an Inter-Departmental Working Group and, finally, the Board of Directors for approval or rejection. EIAs carried out on projects must be submitted to Board members 120 days before those projects are scheduled for review by the Board.

Although the Bank is not responsible for project implementation (this is carried out by the recipient government or entity), according to the Environment Division Chief, it supervises implementation through the approval of each disbursement of the loan. He asserts that this mechanism for oversight is effective, and that Bank performance has been strong in loans for infrastructure and public utilities, although perhaps less successful with industry and lines of credit. Nevertheless, most observers believe this remains the weakest link in the chain of environmental protection.

According to a pamphlet issued by the Environment and Social Policy Division, the Bank processed 185 projects in 1992; of these, 26 were rated Category 1.

4. Further Needs: Project Components

To summarize, therefore, the most immediate needs of the Bank in the area of environmental impact assessment are for further staff training on four levels:

- o general commitment of decision and policy makers to environmentally sound lending;

- o technical and management training for operations staff who are implementing the new environmental policies, which effectively inculcates principles of environmentally sustainable lending and provides staff the skills required for their respective responsibilities;
- o specialized training for selected operations staff who already have significant exposure to environmental sciences, to enable them to review EIAs, help other staff develop project designs which incorporate environmental considerations early and comprehensively, and train member country counterparts in the appropriate implementation of environmental safeguards;
- o training for regional member counterparts in the oversight of EIAs and, perhaps most critically, in the implementation of the environmental safeguards that have been incorporated into project designs (note, however, that recent restrictions on the funds used for the AfDB II grant preclude financing of such member country training under this project).

In addition, there is a need for improved systems and data resources to be used in project development through:

- o technical assistance in environmental impact monitoring and evaluation and in improved guidelines and procedures for ensuring the integration of environmental mitigating measures into project designs and implementation plans;
- o the establishment of a reference or resource center giving operations staff access to state-of-the-art environmental policies, designs and technologies in all sectors through both printed publications and computer networks.

C. Private Sector Development Unit

1. Authority and Staffing of Unit

The Private Sector Development Unit (referred to hereafter as PSDU or the Unit) was established in March of 1991, and was staffed and became operational in August of 1991. The PSDU's primary mandate is to make loans to, and equity investments directly in, new or existing private productive activities in Africa. It has been authorized a funding level of 150 million Bank units of account (approximately \$200 million) for this purpose over a period of up to four years. The Unit is also required by the Board of Executive Directors to develop

strategies and policies to guide the Bank group in supporting the development of the private sector in Africa, and to assist regional members in such areas as the privatization of state-owned enterprises and the development of financial and capital markets.

To lend this significant sum and to carry out this broad mandate, the Unit has been authorized an extremely limited operating budget. In brief, it has been given what is probably an unrealistic scope of work compared to its level of resources, and yet it does not have the authority to modify this mandate. In addition, against the recommendations of the United States and some other Executive Directors' offices, the Unit was put within the Bank's organization (rather than created as an independent affiliate) under the supervision of the Vice President for Central Operations. While the Unit has some flexibility to respond quickly to private sector initiatives, the time-consuming review and approval by the Board of Directors has, on occasion, subjected projects to scrutiny according to criteria that are not relevant to the underlying financial and economic soundness of the project. In addition, the Unit must share the services of the Bank's central legal department, which has often not been able to meet the Unit's particular needs.

Over the first two years, the Head of the Unit has directed 70 to 80 percent of the staff and budgetary resources to activities directly supporting lending and investment, the Unit's priority activities. However, he also perceives the first two years of Unit operations as a time in which to explore the universe of other responsibilities assigned to the Unit by the Board of Directors, in order to come to an informed appreciation about which activities are achievable within its given resources, and which should be postponed or modified in scope.

With the assistance of Nordic donors, the Unit is in the process of establishing a system for loan management: that is, procedures for the handling and recording funds disbursement; the calculation, notification and application of loan interest payments, principal repayments and dividend income; monitoring the receipt, review and filing of required periodic reporting documents such as loan and investment agreements, financial statements, board of directors' minutes, reports from other lenders, legal reports, and general correspondence. This system is likely to be as crucial to the success of the Unit as the origination of the loans and investments themselves.

A mid-project review will be presented to the Board of Directors for review and approval in September 1993, and is expected to suggest some modification of the Unit's activities. Given the political and economic realities of Africa, however, it is unlikely that there will be recommendations for elimination of any of the originally-mandated activities.

The Unit has eleven investment officers (including one industrial engineer), three externally-funded assistant investment officers, one administrative assistant, and two

secretaries. This is the full number of positions authorized to date by the Board, yet carrying out all the financing and advisory responsibilities of the Unit as well as its other mandated activities clearly requires a larger staff.

The Unit's status report to the Executive Directors describing the first year of operations made it clear that the Unit has been overwhelmed with proposals, and that the Unit has devoted considerable time and resources simply to culling for the few viable investment opportunities (the ratio of proposals reviewed to those actually selected for serious evaluation is approximately 20:1). In the first year of operations, the Unit selected sixteen projects for appraisal, of which six have thus far been approved by the Board. At this writing, funds have actually been disbursed to only one project.

PSDU thus clearly faces constraints which are both beyond its own control and beyond the scope of this amendment. The U.S. Executive Director's office will continue to lobby the Board for structural changes that will allow the PSDU greater autonomy and streamline its approval process; for example, an increase in the maximum investment/loan project amount that can be approved without being presented to the full Board, and an increased operating budget.

2. Further Needs: Project Components

REDSO concedes that, while it is desirable for the Unit to have a business plan detailing its objectives, operating strategy, and specific measurable goals (such as the number of activities funded, lending targets, and revenue and income projections) this is probably not realizable given the Unit's lack of autonomy. Nevertheless, REDSO concludes that the primary goal of the Unit should be to increase the profitability and timeliness of its direct lending and investment, and that A.I.D. assistance should be targeted towards enhancing the Unit's capacity to achieve that goal. Support for the Unit's additionally mandated activities (such as providing guidance to the Bank group in how to support private sector development, studying ways to improve the overall business climate of the continent, and providing technical assistance to regional members in areas such as privatization and capital market development), although important to business development in Africa, should be conceded to other donors.

Specifically, therefore, REDSO and the PSDU have agreed that the amendment will finance the following four activities:

- o The development and realization of individualized training plans for the eleven PSDU investment officers in the specialized skills needed to evaluate and elaborate business plans for private sector projects in Africa including small and microenterprises. Topical seminars offered under this training component will also be extended to project officers in other Operations Departments of the AfDB;

- o The establishment of an information resource center which will give PSDU officers timely access to up-to-date databases and publications on international financial, trade and other issues of relevance to the African private sector;
- o The development of an operations manual specific to the functions and responsibilities of the PSDU; and
- o The elaboration of policy guidelines for the Unit to follow in extending lines of credit to private financial institutions.

IV. Implementation Plan

The AfDB II Project (624-0434) was originally authorized in 1985 with a life of project funding of \$15 million over five years. This amendment will add \$5 million and two years to the life of project.

The original project was implemented according to Handbook 3, utilizing Handbook 11, or Host Country Contracting procedures. At authorization, A.I.D. worked with the AfDB and an independent C.P.A. firm to develop mutually acceptable procedures for contracting which were also fully consistent with A.I.D. regulations. These procedures required the Bank to submit a written request to REDSO for each activity proposed for funding under the amendment. If REDSO approved the proposal, it would issue a Project Implementation Letter (PIL) or a Project Implementation Order for Technical Services (PIOT) to earmark funds. REDSO technical offices (PMO, RLA, WAAC, PDE and DDir) were then required to review and clear all contracts before they were signed. PMO and WAAC reviewed all vouchers submitted for reimbursement after the contracts were fulfilled. According to the original project paper, this multi-level review was instituted in order to ensure a high degree of control over funds.

Although this approach was considered necessary at the time the original grant agreement was signed, the controls have become redundant and cumbersome. Moreover since that time, the African Development Bank has been officially designated a Public International Organization (PIO), and has published procurement and audit procedures consistent with international standards. Accordingly, the Fourth-Year Evaluation recommended that the project implementation mechanism be changed to that of a grant to a PIO, as governed by the regulations contained in A.I.D. Handbook 13, Chapter 5.

The project designers agree that the implementation mechanism should be modified, but suggest that in light of experience to date, a more appropriate choice would be to modify the mechanism of Handbook 13, Chapter 5, using a Cooperative Agreement rather than a grant. This mechanism will allow A.I.D. to retain substantial involvement in certain stages of implementation, namely the subcontracting of the two major

activities, and allow the Bank more autonomy in others. Given the intense involvement of REDSO in the implementation of the grant to date, this gradual transition seems more practical.

Because A.I.D. is the sole contributor to the activities under this project, the Bank is required to apply A.I.D.'s procurement regulations. Accordingly, those "Required as Applicable Standard Provisions" of A.I.D. procurement policies and procedures defined in Handbook 13 will be incorporated into the Cooperative Agreement. In order to help the Bank meet these requirements, and to ensure that A.I.D.'s objectives for the grant are achieved, A.I.D. will assist the Bank in the initial stages of implementation, to prepare two Requests for Proposals (RFPs). These RFPs will further elaborate in contractable terms the activities to be carried out under each element of this amendment. These solicitations will be competed on a full and open basis in the United States and elsewhere. The authorized source/origin for procurement shall be the United States (A.I.D. geographic code 000) or cooperating countries (those African countries that are included in A.I.D. geographic code 941).

REDSO will send a technical observer to the contract evaluation panel and will then approve the draft contracts before they are executed. After this, however, A.I.D. will turn the responsibility for contract administration over to the Bank and will no longer be involved in its day-to-day implementation. At that point, periodic meetings between the management staff of the Bank and REDSO will continue, but no longer on a weekly basis.

The cooperative agreement will also include semi-annual reporting requirements which will define clear measures and help REDSO staff monitor accomplishments at the (logframe) purpose level. The environmental advisor funded under the amendment will collect the data for the environmental element. The PSDU will be responsible for monitoring the grant through its own established reporting system.

A. Implementation Mechanism

Thus, the amendment activities will be funded through a Cooperative Agreement. Following the signing of the cooperative agreement, REDSO and the Bank will prepare together detailed scopes of work as described below for each of the two elements of the project and as developed jointly by REDSO and the AfDB. In this way, REDSO and the Bank will agree on the specifics of the contracts at the start on the activities to be funded, REDSO will approve the selection of subcontractors and the terms and conditions and format of the subcontracts, and allow the Bank to take over contract administration.

The payment mechanism for the grant will be cost-reimbursement. The Bank will submit vouchers to REDSO for approval and reimbursement once a month or no less than quarterly.

1. Scope of Work for Environmental Element

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One Request for Proposal (RFP) will be prepared, requiring a contractor with specialization in environmental assessment and in training to provide: 1) three levels of training programs for Bank staff in the area of environmental analysis and preservation; 2) non-resident environmental technical assistance for training, policy development and environmental impact monitoring; and 3) the foundations for an environmental resource center within the Bank.

The first two training activities will aim to engage top level management actively in efforts to improve the Bank's policies and procedures for ensuring that loans approved by the Bank promote environmentally sustainable development in Africa. The participants will exchange ideas or pursue studies that will enhance management's appreciation of environmental issues and lead to the development and approval of new policies which strengthen the Bank's environmental screening process. Specifically, these should include:

- o Mechanisms for ensuring the participation of environmental experts in all preparatory and appraisal missions for Category I & II projects;
- o Management's adopting and enforcing a policy and format for incorporating relevant mitigating measures from EIAs into project designs and implementation plans;
- o Strengthened project monitoring plans, including the development of procedures for regular field visits to projects during implementation to control for the adherence to environmental measures;
- o The approval of budgets appropriate to meet the reasonable needs and activities of the Environment and Social Policy Division and the Environmental Resource Center.

a. AfDB Decision-Maker Roundtables

For the highest level managers, the contractor will organize a series of topical roundtable working sessions over the course of the two-year life of the amendment, each focusing on a particular environmental field or problem. These forums should bring representatives of the Bank's top management and environmental staff together with the preeminent environmental experts of other multilateral and bilateral development institutions and international environmental organizations. The purpose of these roundtable discussions will be to elucidate for all participants the economic and social consequences of continued degradation of the African continent's environment and biological diversity, and elicit from each -- donors, environmental experts and the representatives of the African Development Bank -- their respective responsibilities and contributions to a plan to preserve this heritage.

The programs will include effective visual presentations (films, site visits) of the costs of environmental deterioration

and the potential benefits of investing in sustainable development. The participants will also be exposed to the kinds of enterprises that can play a role in protecting the environment (pharmaceutical development, debt-for-nature swaps, ecotourism, game ranching, gene banking, value-added industries, marketing of underutilized species). The presentations should be designed to stimulate creative sessions, during which Bank management examines ways to adapt its structure and procedures for stronger environmental preservation.

In organizing these sessions, the contractor will be responsible for assembling a prominent group of presenters and participants, and for ensuring that a minimum number of the Bank's Regional Member Executive Directors, Vice Presidents and Office Directors take part.

b. Skills Training for Operations Management and Staff

The contractor will also provide training in environmentally sound project design for the project officers, Office Directors and Division Chiefs of the three Operations Departments (i.e., Central, Northern Region and Southern Region). This training should both demonstrate to Bank staff the importance of sustainable development strategies, and give them the technical and/or management tools they require in their respective positions.

The contractor will develop a program that provides knowledge and skills that are directly relevant to the Bank's operations and procedures for implementing its environmental policies. This approach should use as case studies actual Bank projects, Environmental Impact Assessments, mitigating measures and implementation plans and include on-the-job training techniques. The emphasis must be on training participants through the application of skills to real life examples, rather than using a purely didactic or lecture format. The program also must be tailored in a way that it is not disruptive of the work responsibilities and schedules of Bank staff and that there is sufficient incentive to attract broad and full participation by operations staff.

One possibility would be a one-month training course in the United States. This would allow participants to be completely removed from their work responsibilities and to examine environmental issues in depth. Another would be one-week training courses organized in Yamoussoukro focusing on particular skill development, economic sectors or environmental problems. Still another possibility would be the development of self-study modules (videos and workbooks) for use within the Bank, which could be borrowed as the officers' schedules permit and projects require. Selected environmental staff might also be trained to train other staff in necessary skills and techniques. The contractor will determine with input from AfDB staff the most effective format.

The trained staff should be able, as their job responsibilities require, to: develop and strengthen relevant environmental policies and procedures within the Bank; prepare IIEs and Scopes of Work for EIAs according to standardized outlines; review and approve the EIAs submitted by outside consultants; incorporate all necessary environmental safeguards and mitigating measures into project designs and implementation plans; supervise implementation of projects in environmentally sensitive areas; train the staff of relevant recipient government agencies in the effective implementation of mitigating and rehabilitation measures; and develop project components which improve environmental quality and natural resource management. A minimum of 25 staff should receive this level of training, and, depending on its length and depth, as many as 50.

c. Specialized Courses

Four or five staff members who already have pertinent background or training will be selected for further specialized training in the United States in more technical areas of environmental design and management, so that to the greatest extent possible these skills are possessed in-house by the Bank. This recognizes current constraints preventing the Bank from creating new staff positions.

d. Environmental Observer

The contractor will also provide a non-resident environmental observer who will come periodically to critique the AfDB's environmental policies and procedures, and help the staff of CEPR-3 to develop more detailed and rigorous regulations and guidelines. The observer will retain an independent, outside perspective, and will push the Bank to develop ever stronger mechanisms for environmental protection. In particular, this observer will help CEPR-3 in:

- o The development of environmental sectoral guidelines to help project officers in all fields carry out and monitor environmental impact assessments, particularly in those sectors with the greatest potential for negative environmental consequences;
- o The development of stronger mechanisms for monitoring the implementation of projects with environmentally sensitive elements, including establishment of a standard number of required field visits (1-3 over the life of a project according to the complexity and length of project);
- o Strengthening the formal exchanges and ties between the Division and outside, independent environmental organizations;
- o Helping the Division develop monitoring and evaluation systems for measuring the impact and identifying the weaknesses of its environmental policies and safeguards;

- o The development and adoption of a standard format or outline for the Environmental Impact Assessments prepared for Bank projects;
- o The adoption of a standard format or outline for incorporating environmental assessments and mitigating and rehabilitation measures into project designs and implementation plans.

e. African Environmental Resource Center

Finally, the contractor will evaluate the requirements for establishing an environmental resource center to be housed within, or adjacent to, the AfDB's Environmental Division. To the extent that project resources permit, the amendment may also contribute necessary computers, modems, CD ROM systems, and access to computer-based messaging and information networks to help establish the center.

The ultimate objective should be to create a locus for the most current data and research in environmental issues of relevance to the African continent. It should collect and make accessible to the Bank's technical staff as well as to other Africans and researchers the relevant work of universities, think tanks, environmental organizations, development institutions, governments, and private entrepreneurs around the world. It should include printed materials, computer data linkages, computer-aided design tools and reference information about the other resource centers and libraries around the world.

The center's primary purpose should be to provide Bank staff with state-of-the-art environmental technologies, concepts and designs for use in Bank project development. It could also be designed to accumulate data which would indicate, over the long term, whether the Bank's interventions and those of other donors and investors are, in fact, contributing to reversing the tide of environmental degradation on the continent.

Given its location within the continent's major development Bank, this center has potential to become a leading reference source for all researchers, scientists and policy-makers with an interest in Africa. However, it must be modest in scale and designed to ensure that its recurrent costs are manageable by the AfDB after donor support ends. It must also be tailored to the specific needs of the Bank for the oversight of EIAs and the integration of environmental measures into project designs. Thus as much as possible, the center should tap into already established and available environmental information networks.

It is also particularly important for the contractor under this amendment to coordinate with the efforts of other donors and other environmental organizations. The Swedish Development Aid is funding a project through the Swedish Space Corporation that will give the AfDB access to Global Environmental Surveys, and the Swedish government may also provide the Bank with a Geographic Information System (GIS), a computerized database and

design tool. Norwegian Development Aid is financing the preparation of Environmental Country Profiles for each regional member country. Individual staff of the Environment and Social Policy Division have computer links with the World Bank's environmental department. Finally, an independent organization affiliated with the Bank called the Regional Facility for the Environment has also developed a concept for the design of such a resource center connecting the Bank with regional member countries.²

The contractor will therefore work in collaboration with other donors and with both the AfDB's Environmental Division and the affiliated Regional Facility for the Environment on this project. The design of the center will be modified as appropriate by the results of the contractor's research. Finally, before any investments are made in this center, the Bank will agree to establish a line item in its operational budget sufficient to cover the ongoing costs of maintaining the center.

2. Scope of Work for Private Sector Element

A second RFP will solicit a contractor to work with the PSDU in the development and implementation of the activities described under the amendment. The contractor should be an internationally-recognized graduate business school or a financial institution with a demonstrated expertise in the development and implementation of continuing education programs for executives in the fields of international business, finance and organizational management.

a. Investment Officer Training

One of the Unit's greatest needs is for training of its investment officers in the innovative dealmaking skills required to work within the difficult African context. Because the skills and experience of the investment officers are diverse, the contractor will develop individual, long-term training plans based on each investment officer's particular needs. These plans will also include short group seminars and workshops which will expose all investment officers to the latest developments in subjects such as leasing, factoring, project and trade financing, and foreign exchange risk management and venture capital finance. At least one officer should also be trained in appraising and supporting small or microenterprises and women-owned or operated businesses.

Over the life of the amendment, each investment officer should be provided a minimum of two to four weeks of individual, on-site training and one off-site training activity. The

²The Regional Facility for the Environment is an offshoot of the Club of Dublin; the Abidjan office has a staff of three professionals. In addition to organizing annual environmental conferences, these experts are available to African governments to analyze and address environmental problems. The Center has plans to reorganize as the "Network for the Environment and Sustainable Development in Africa."

training should emphasize the use of case studies, simulations, and other relevant methods and materials. The contractor should also organize at least five workshops for the Unit. These groups seminars will be expanded to include project officers and managers from other Operations Departments of the AfDB who need similar skills and exposure.

b. Information Resource Center

To enhance the information base, responsiveness, and skill level of the PSDU staff, the contractor will also create an information resource center linking the Unit to the timely and up-to-date economic, business and financial resources required for the analysis and development of investment proposals. This center will give investment officers access to both computerized and printed investment information.

A wealth of such information is available from sources world-wide via electronic datalink (accessible in Cote d'Ivoire through the Sytranpac network) on all subjects of relevance to investments, including, but not limited to: country economic and political risk reports, investment codes, world commodity prices, international terms of trade, and international financial and capital market rates and pricings. In addition, there are various publications which could complement the information provided by the datalink, including financial periodicals as well as the more academic studies undertaken by various donor agencies such as the World Bank, A.I.D., and the Club du Sahel.

The information resource center will be established as a permanent component of the PSDU, and a line item will be created in the Bank's operational budget to continue support for the center after the project. The contractor will be responsible for the acquisition of a limited amount of required computer equipment, providing technical assistance for planning the center, physically creating the center, establishing a system for periodic reviews of its management, and training of the investment officers in the use of the datalink system. After the first six months of operation, the contractor will survey PSDU staff to identify and take any necessary additional actions to increase the center's usefulness to the PSDU. Fees for datalink access, subscriptions to relevant databases, news and communication services, and publications will also be covered over the start-up period or life of the amendment.

c. PSDU Operations Manual

A third activity the contractor will undertake is the development of a comprehensive operations manual to guide investment officers in carrying out their daily responsibilities. The manual will provide an overview of the activities and organizational structure of the Unit; standardize the approach and processes for all activities undertaken by PSDU staff, including project appraisal and analysis, loan/investment approval, processing and management; present uniform models of documents used during the various phases of operations; and

provide concise job descriptions of staff positions.

This activity will encompass any background studies necessary to compile the manual, including a review of the work flow of the Unit and its interaction with other parts of the Bank Group, and a survey of the various types of documentation that have been used to date, including external and internal correspondence, loan documentation, information management within the Unit, and communications of the Unit with the rest of the Bank Group. The contractor's final version will include the feedback from the PSDU on a working draft.

d. Line of Credit Policy Study

Finally, this subcontract will include the elaboration of a policy for the PSDU to follow in extending lines of credit to private financial institutions in Africa. This policy will include prohibitions against loans for the procurement of pesticides. It should also include explicit criteria for judging the ability of these financial institutions to manage the funds, and mechanisms for ensuring that all recipients are able to develop any structures or systems for such management that are lacking.

3. Technical Assistance Fund

In recognition of the fact that there may be activities in which the previous grant made a substantial investment, and for which additional resources could have a significant impact, ten percent of the funding under the amendment will be set aside for activities to be identified over the course of the two year life of the amendment. All contracts for these activities will be competed, drafted and let at the appropriate time by the AfDB.

4. Conditions Precedent and Covenants

Although slightly unconventional, the Cooperative Agreements will include four conditions precedent (CPs) and one special covenant. The conditions precedent are intended to ensure that CEPR-3 and the PSDU create line items in their respective budgets for the start-up and on-going support of the two information resource centers to be provided under the amendment. Specifically, these are:

- o Prior to reimbursement for the expenses accrued under the environmental subcontract, the AfDB will furnish to A.I.D. evidence that funds sufficient to cover the office space, utilities and Bank personnel costs associated with the establishment of the Environmental Resource Center created pursuant to the Agreement have been included in the Administrative Budget of the AfDB for 1994; and
- o Prior to obligation of the second tranche of grant funding, A.I.D. will require evidence of a budget line item in the AfDB's 1995 budget covering the on-going operational expenses of the center. In addition,

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- o Prior to reimbursement for the expenses accrued under the private sector subcontract, the AfDB will furnish to A.I.D. evidence that funds sufficient to cover office space, utilities and Bank personnel costs associated with the establishment of the Information Resource Center within the Private Sector Development Unit have been included in the Administrative Budget of the AfDB for 1994; and
- o Prior to obligation of the second tranche of grant funding, A.I.D. will require evidence of a line item in the AfDB's 1995 Administrative Budget sufficient to cover on-going expenses of this center.

In light of previous criticisms of training programs funded under the grant, the covenant is intended to ensure that a sufficient number of Bank staff are actually participating in the training offered under the amendment. It states:

- o Not later than one year after the date of execution of the agreement, the AfDB will provide to A.I.D. evidence that the number of managers and technical staff members who have attended training courses financed under this Cooperative Agreement are sufficient to demonstrate that the training outputs [as specified in the logframe] will be achieved by the [PACD]. The covenant further stipulates that if training falls below this target, the AfDB will agree to submit to A.I.D. within 60 days thereafter, a revised training plan to rectify this shortfall during the remaining term of this Cooperative Agreement.

B. Procurement of Goods and Services

Because A.I.D. is the sole contributor to activities under this project, the Bank must comply with the applicable standard provisions for non-U.S., non-governmental grantees in the procurement of the goods and services required by the project. According to Handbook 13, these include the requirements of Chapter 5, and those applicable standard provisions from Chapter 4 are: air travel and transportation; ocean shipment of goods; A.I.D. eligibility rules for [procurement of] goods and services; subagreements; local cost financing; and grantee title to and use of property.

The source and origin of goods and services procured under the amendment will be, in order of priority: United States, (A.I.D. geographic code 000) or cooperating countries (those African countries that are included in A.I.D. geographic code 941).

Every effort will be made to involve Gray amendment firms in the subcontracts awarded under this amendment.

C. Implementation Schedule

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Table 1
Implementation Schedule

Environmental Element

Month 1	-	Cooperative Agreement signed.
Month 2	-	RFP drafted and solicitation advertised (30 days).
Month 3	-	Solicitation issued (15 days).
Months 3-5	-	Solicitation closes (60 days).
Month 5	-	Technical evaluation begins (2 days).
Months 5-7	-	Technical evaluation, discussions with offerors, requests for and evaluation of Best and Final Offers (60 days).
Month 7	-	Final contractor selection and award (10 days).
Month 10	-	Training Plan submitted to Bank and approved.
Month 10	-	Resource Center Plan submitted to Bank and approved.
Month 11	-	Training begins.
Month 11	-	Resource Center initiated.
Month 18 & 24	-	Impact Data Received.

Private Sector Element

Month 1	-	Grant Agreement signed.
Month 3	-	RFP drafted and solicitation advertised (30 days).
Month 4	-	Solicitation issued (15 days).
Months 4-6	-	Solicitation closes (60 days).
Month 6	-	Technical evaluation begins (2 days).
Months 6-8	-	Technical evaluation, discussions with offerors, requests for and evaluation of Best and Final Offers (60 days).
Month 8	-	Final contractor selection and award (10 days).
Month 10	-	Resource center designed.
Month 11	-	Training plans finalized; implementation begins.
Month 14	-	Lines of Credit policy submitted to Bank and approved.
Month 14	-	Operations manual completed.
Month 15	-	Resource center installed and operational.
Month 18 & 24	-	Impact Data Received.

D. AfDB Financial Contribution and Program Management

Section 110 of the U.S. Foreign Assistance Act, as amended, states that no assistance will be furnished by the U.S. government unless the recipient country provides assurances that it "will provide at least 25 percent of the costs of the entire program, project or activity with respect to which such assistance is furnished." Such a contribution can include salaries of staff, rent or purchase of project facilities or office space, and equipment placed at the project's disposal.

The original PP noted that because the project was regional rather than bilateral, the AfDB was not obligated to make a financial contribution. Nevertheless, the paper calculated an estimated \$3.301 million the AfDB was expected to contribute to support A.I.D.-funded activities (somewhat less than 25 percent of the total program cost of \$18.301 million). Because the Bank has the resources to do so, the Bank will contribute \$1.86 million to the project; again, approximately 25 percent of project total. This contribution will be in CFA francs or in U.S. dollars. Annex G is an initial calculation of this contribution.

Because of the importance of the question of the sustainability the two information resource centers to be created under the amendment, the majority of Bank's resources will be directed to covering the costs of establishing and maintaining these centers. The Bank will also finance one external audit of the project.

To date, the project has not had a rigorous system for calculating the AfDB's contributions. Before authorization of the amendment, the Bank and REDSO will agree on a system that will provide auditable evidence of the Bank's subsequent cash or in-kind contributions to this project. An initial calculation of this contribution is included as Attachment G to this paper.

With regard to program management, the staff of the Bank's Environment and Social Policy Division, the Private Sector Development Unit, and the legal and contracting departments will work with REDSO in drawing up the two Requests for Proposals. The Bank will be responsible for advertising the RFPs, selecting the contractors, and drafting the contracts. It will also oversee the implementation of the contracts. The Bank will pay these contracts, and will submit all appropriate vouchers and supporting documentation to REDSO for review and approval for reimbursement.

Finally, the two units receiving the majority of the assistance under the amendment, CEPR-3 and PSDU, will submit data to the Bank's Cooperation Department, which will prepare semi-annual reports to the REDSO Program Management Office, describing the activities accomplished to date and the progress towards achieving the project purpose and outputs.

E. A.I.D. Program Management

As the project management office for this project, REDSO's Program Office will assure the receipt of information to account for the Bank's financial contributions to the project. The Offices of Procurement and the Regional Legal Advisor will provide advice in the preparation of the RFPs, and will ensure the contracts meet A.I.D. requirements. The staff of REDSO's West African Accounting Center (WAAC) will process all vouchers submitted by the Bank for reimbursement, as necessary, reviewing relevant accounts within the Bank.

Funding for project management will be provided within the grant.

F. Monitoring Plan

Prior to authorization, the REDSO Project Manager will collect baseline data from CEPR-3 and the PSDU on the indicators identified by the project logframe to measure purpose-level impact of the amendment. It should be noted that gender disaggregated data has been identified for the private sector element, while the environmental element is expected to have an equal benefit for men and women. Over the course of project implementation, the Project Manager and technical assistants financed under the two subcontracts will ensure that these two units develop systems for collecting data on progress towards achieving these end of project targets.

The environmental observer(s) will also help the Environment and Social Policy Division establish an internal system for monitoring and evaluating the impact of its environmental policies. The Private Sector Development Unit has an established reporting system for analyzing its performance in meeting the requirements imposed by the Board of Directors.

If it is deemed necessary, the amendment will finance one final evaluation of project impact. Funding for an evaluation falls under the project management line item in the budget.

G. Audits

Because the amendment will switch to a modified Handbook 13 Chapter 5 mechanism in providing assistance to a Public International Organization, no audits are required to be financed by the project. The AfDB will agree to maintain books, records, documents and other evidence according to its usual accounting procedures sufficient to substantiate charges to the grant. The AfDB will also subject the activities under this amendment to an independent audit in accordance with generally accepted accounting principles and will furnish copies of this audit to A.I.D. along with any other relevant information requested. A.I.D. reserves the right to have compliance tests included in the scope of this audit, to provide assurance that the AfDB is operating within the scope of the Cooperative Agreement.

Finally, the Bank will agree with REDSO on the system that will be used to provide auditable evidence of its cash or in-kind contributions to this project.

V. Cost Estimate and Financial Plan

The original project financed a broad spectrum of activities, including long-term technical assistance, training, commodities (mainly computers), studies and evaluations. As of the end of 1992, \$14,997,825 had been obligated.

A. Amended Cost Summary

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The amendment will authorize and obligate an addition \$5 million to the AfDB II project, bringing the total authorized amount to \$20 million. Of this additional funding, \$2,150,000 will finance the environmental component, \$2,100,000 will support the private sector component, and \$250,000 will cover project management, including one final evaluation. The remaining \$500,000 will be available for institutional capacity-building projects or needs that continue grant investments to date and which arise over the remaining life of the project.

The following Table provides an illustrative breakdown of the project budget.

Table 2
Illustrative AfDB II Amendment Budget

Environmental Element

a.	AfDB Decision-Makers Roundtables	99,235
b.	Operations Staff Training	429,600
c.	Specialized Training	346,400
d.	Environmental Observer	149,690
e.	African Environmental Resource Center	750,000
f.	Contractor Overhead and Fee	265,000
	<u>SUBTOTAL</u>	<u>\$2,039,925</u>

Private Sector Element

a.	Investment Officer Training	678,200
b.	Information Resource Center	1,050,000
c.	PSDU Operations Manual	49,730
d.	Line of Credit Policy Development	49,730
e.	Contractor Overhead and Fee	221,000
	<u>SUBTOTAL</u>	<u>\$2,048,660</u>

Contingencies \$161,415

Administrative Expenses

Program Management and Evaluation	250,000
<u>SUBTOTAL</u>	<u>\$250,000</u>

Technical Assistance Fund \$500,000

USAID CONTRIBUTION \$5,000,000

AfDB Contribution \$1,860,000

TOTAL \$6,860,000

B. Financial Plan

A.I.D. will contribute \$5 million to the institutional strengthening of the AfDB; the Bank itself will contribute \$1,860,000 in administrative support.

1/8

Table 3
Summary of Project Investments
By Expense Category

	Grant to Date Obligations	Amendment	Project Total
Technical Assistance	8,307,744 ³	750,000	9,057,774
Training	3,004,897	4,250,000	7,254,897
Commodities	705,000		705,000
Evaluations	214,106		214,106
Pre-Inv Studies & TORs	2,368,253		2,368,253
Women in Development	400,000		400,000
<u>TOTAL</u>	<u>\$15,000,000</u>	<u>\$5,000,000</u>	<u>\$20,000,000</u>

C. Methods of Implementation and Financing

The two major subcontracts under AfDB II amendment as well as the activities subcontracted under the technical assistance fund will be administered on the basis of a direct reimbursement. The AfDB has standardized and adequate procedures for controlling and reporting on flows of funds, as well as for adhering to and recording compliance with A.I.D.'s procurement regulations. As noted above, one A.I.D.-funded audit will be carried out.

The program management component of the project will be financed by direct payment.

Table 4
Methods of Implementation and Financing

<u>Project Component</u>	<u>Methods of Implementation</u>	<u>Methods of Financing</u>
Environment	Host Country Contract	Direct Reimburs.
Private Sector	Host Country Contract	Direct Reimburs.
Tech Assist Fund	Host Country Contract	Direct Reimburs.
Project Mgmt	A.I.D. Direct Contract	Direct Payment

³To be absolutely precise, the amount obligated to date has been \$14,997,825; the \$2175 which remains to be obligated under the original project has been added to this figure. For simplicity, all documentation related to this amendment has rounded the obligations to date for project to \$15,000,000.

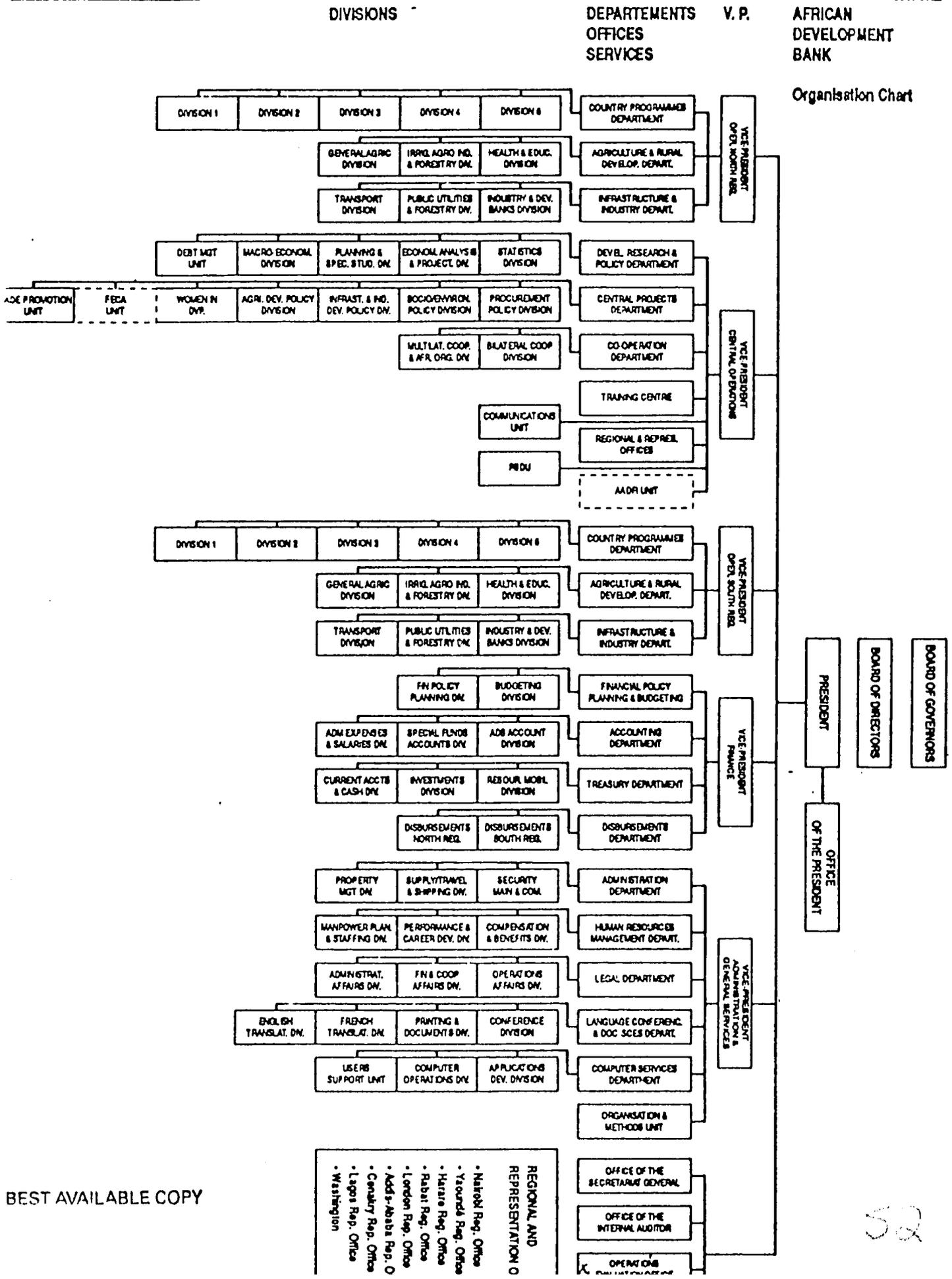
LOGICAL FRAMEWORK: AFRICAN DEVELOPMENT BANK II PP AMENDMENT
Program No. 624-0434

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u> To strengthen the capacity of the AfDB to develop and manage projects in an enlarging and improved portfolio.</p>	<ul style="list-style-type: none"> • AfDB retains AAA/AA+ rating and sustainable financial position • Post-evaluations reveal improved success rate of projects in achieving objectives and supporting economic and social development in African countries 	<p>Moody's; Standard & Poors; Fitch</p> <p>AfDB documents and post-evaluation</p>	<p>International economic conditions are favorable</p> <p>Political situation remains stable in countries where AfDB heavily exposed</p>
<p><u>Purpose:</u> To increase the number and amount of environmentally sound loans and profitable private sector investments approved annually by the AfDB.</p>	<p><u>EOPS: Environment</u></p> <ul style="list-style-type: none"> • 100% of Category I and II projects include environmental mitigation and rehabilitation measures in project designs and implementation plans and require appropriate number of field visits to ensure 100% EIA recommendations are respected • 80% of approved Category I and II loans have environmental monitoring plans • Pelosi amendment requirement for 120 day prior review of projects with EIAs before their submission for vote by Board observed for 100% of projects; • Number of US Executive Director's abstentions on environmental grounds reduced to zero (from 19:103) <p><u>Private Sector</u></p> <ul style="list-style-type: none"> • PSDU processes and submits for Board approval 32 viable investment projects totalling \$155 million • \$10 million (or 10%) of processed loans are extended to companies in which women's participation in financing or personnel equals a minimum of 30% • Lines of credit policy approved by Board of Directors and extended to 10 private financial institutions in Africa totalling \$50 million; 30% of loans under these extended to small enterprises (total value under \$100,000) • Proposals sent back by Private Sector Investment Committee for technical inadequacies reduced; Committee's consideration of projects more efficient 	<p>Baseline studies and follow up analyses by project manager, environment subcontractor and CEPR-3</p> <p>AfDB Project Appraisal reports, Scopes of Work for Environmental Impact Assessments, project post evaluations and internal memoranda</p> <p>USED voting records</p> <p>PSDU annual reports to Board</p> <p>Financial institution reports to PSDU</p> <p>Baseline studies and follow up analyses by private sector subcontractor and PSDU</p>	<p>Contracted EIAs effectively identify all major environmental risks of projects</p> <p>EIA-recommended mitigating measures are sufficient and effective</p> <p>Environmental measures in AfDB documents are actually carried out</p> <p>Member countries have capacity and will to implement environmental safeguards and promote positive business climates</p> <p>Bank accepts and approves all necessary policies</p>

<p><u>Outputs:</u> Strengthened relevant skills of CEPR-3 and PSDU staff; resource centers designed and/or operational; policies and procedures issued and approved</p>	<p><u>Environment</u></p> <ul style="list-style-type: none"> • 30 managers; 25-50 technical operations staff receive training • Environmental Information Center established and furnishing information to Bank project developers, environmental staff, consultants, researchers, regional member governments • Standard format/outline for Environmental Impact Assessments and for incorporating EIA recommendations into Project Appraisal reports and implementation plans developed and adopted <p><u>Private Sector</u></p> <ul style="list-style-type: none"> • 11 PSDU Investment officers and 25-50 technical operations staff trained (including skills for lending to small and medium enterprises) • Resource Center functional and PSDU investment officers perform an average of 2 relevant international financial and trade data searches per project review • Regular operational procedures for PSDU in place and consulted actively by investment officers 	<p>AfDB records and documents</p> <p>Contractors reports</p> <p>Interviews with CEPR-3/PSDU staff</p> <p>Resource center user statistics</p>	<p>Managers and technical staff willing and able to attend training</p>
<p><u>Inputs:</u> DFA assistance.</p>	<ul style="list-style-type: none"> • \$2.15 million to CEPR-3 (Environment) • \$2.1 million to PSDU (Private Sector) • \$250,000 program management and evaluation 	<p>Accounting records</p>	

15

ORGANISATION CHART



BEST AVAILABLE COPY

52

BANQUE AFRICAINE DE DÉVELOPPEMENT AFRICAN DEVELOPMENT BANK

ADRESSE TÉLÉGRAPHIQUE
AFDEV ABIDJAN
TÉLÉPHONE 20.44.44
TÉLEX: 23717
23498
23263
FAX: 12.77.53

01 B.P. 1387 - ABIDJAN 0
CÔTE D'IVOIRE



RÉFÉRENCE: COOP1/USAID/03/93

DATE:

30 MARS 1993

Mr. Frederick E. Gilbert,
Director
REDSO/WCA

Dear Mr Gilbert,

AFRICAN DEVELOPMENT BANK REQUEST FOR AN A.I.D. GRANT AS A
P.I.O.

On behalf of the African Development Bank (ADB), I wish to express our gratitude to USAID for its invaluable assistance to the Bank over the years to strengthen its institutional and staff capabilities with the overall objective of promoting economic and social development in its regional member states.

We are particularly pleased, indeed honoured, by the A.I.D. decision to designate the Bank as a Public Internal Organisation (P.I.O).

The purpose and thrust of the proposed Agreement Amendment of the Grant to the Bank as a P.I.O, which focuses on the Private Sector and the Environment are in line with current Bank priorities. The Amendment proposal is therefore very welcome.

The additional \$ 5 million to be provided under the Grant Amendment will enable the Bank to focus attention on the development of the private sector which, it is believed, is critical to our economic development, as well as assist the Bank in ensuring that our environment is safeguarded for future generations.

PRIVATE SECTOR DEVELOPMENT

The development of the private sector continues to be an important Bank Group initiative, and is expected to be the major engine for growth in the continent's development. The ADB President's African Business Roundtable has acted as a forum for developing strategies for promoting the African private sector while the Bank's own Private Sector Development Unit (PSDU) has the responsibility to review developments in the sector, identify related problems, constraints solutions and prospects.

The Bank aims to boost overall lending to the private sector to about one third of total lending over the next five years, with one third directly going through the PSDU. With total ADB lending for the 1992 through 1996 period projected at \$10 billion, this would bring direct ADB lending to the sector to about \$200 million per year, or four times the current level.

The Bank's aim is to create an environment supportive of private sector activities, and to promote them in a transparent auditable and equitable manner through loans, equity participation and joint ventures.

The PSDU is a fledgling unit of the Bank in an area where there is still inadequate staffing. A.I.D. has already committed itself to providing assistance to the unit in the form of a diagnostic study of its operations, procedures and information systems. Further A.I.D. assistance will be required for training of its staff, for consultancies in investment analysis and procedures for review of special proposals for private sector development whenever there is need to bring in external expertise for these projects. This assistance will ensure that the PSDU is able to carry through its mandate in an effective manner until the Unit is adequately staffed with qualified personnel.

ENVIRONMENTAL MANAGEMENT

The African Development Bank, as the leader in development activities on the continent, feels a deep obligation to ensure that the dangers of environmental degradation are kept in check and natural resources sustainably managed in its effort to develop the economies of member states. These concerns are therefore being placed in the forefront of the Bank's project development activities. Indeed these concerns were highlighted during the negotiations on ADF VI and the Rio Earth Summit at which the Bank was represented by its President.

A number of specific programs for addressing environmental issues were initiated by the Bank in 1987, culminating in the preparation and adoption of a policy document on the Environment by the Board of Directors in 1990. These policies are now being rigorously implemented in all Bank operations, and include i) impact assessment of all environmentally sensitive projects and programmes, and the incorporation in reports of mitigating measures, where necessary, before Board approval. The relevant country programme and Central Projects departments participate in these assessments; and ii) the conduct of environmental profiles in a number of selected countries.

A.I.D. has assisted the Bank in these efforts by funding a study on our human resource requirements in this area as well as a conference on tropical forest action planning. In this connection, we have defined a number of additional actions to be undertaken to include the following:

- preparation of sectoral guidelines and procedures for the performance of environmental impact assessments for all projects that may have a significant effect on the environment;
- conduct of workshops with staff and member countries' officials on environmental issues and environmental impact assessment techniques;
- training and sensitization of all Bank operational staff and executives to Environmental Protection concerns;

The Bank is currently receiving substantial assistance from a number of other bilateral donors for its environmental protection activities.

We hope that the A.I.D. Grant will continue to provide assistance to the ADB to enable it effectively carry out Private sector and environmental protection activities in all its projects and programmes, particularly in the specific activities enumerated above.

OTHER AREAS OF SUPPORT

Under the old Grant, AID also provided much needed assistance for the installation of a number of management and information systems which have been critical to the Bank's management of an enlarged and improved loan portfolio, thus enabling the Bank to maintain its "Triple A" rating. Some of these systems, such the SWIFT LAN and the Credit Monitoring study in the Treasury have had a marked impact on Treasury operations, but are still incomplete and require follow-on work to bring them to optimal use.

We would therefore like to request that these two activities be funded, on an exceptional basis, as follow-on projects outside the U.S.\$ 500,000 being set aside in the proposal for Technical Assistance purposes. Additionally, the collection, collation and analysis of data for monitoring purposes on a regular and systematic basis will be necessary. We therefore request that funding be set aside for this purpose also in the Agreement Amendment. A total of U.S.\$ 375,000 will be required for the three activities listed above.

MONITORING AND EVALUATION SYSTEMS

The Bank's Cooperation Department will remain the focal point for the Grant to ensure proper coordination of all related activities. All contracts in connection with the Grant will be awarded through this Department. Evaluation and monitoring of the project will be carried out on a continuing basis. Progress reports on the implementation of individual activities will be submitted to the Bank's Cooperation Department by the relevant beneficiary Department on a six-monthly basis, indicating actions being undertaken to achieve the objectives set for the activity, and thus the Grant purpose. Information and data will be collected by the responsible Department on the targeted indicators and the means of verifying them along the lines of the logical framework designed for the project in these reports. The Cooperation Department which will manage the Grant will, on a bi-annual basis, submit reports on all Grant-funded activities to A.I.D. describing the impact of the activities on the Bank's operations and compliance with the Grant purpose.

Compliance with new Operational guidelines will be monitored by the Central Projects Department (CEPR). The indicators to be used in measuring compliance at Grant purpose level will include guidelines for Methodology For Project Design And Evaluation (MPDE), Environment, the number of private sector loans made and assessment and incorporation of mitigating measures in all environmentally sensitive projects. For MPDE, the specific set of compliance criteria are that all appraisal reports incorporate an MPDE (LogFrame) matrix meeting the quality control criteria of the Project Design Checklist by mid-1993. CEPR will review appraisal reports on a quarterly basis to determine the percentage of total reports that comply with each set of operational guidelines. The reports will include a brief narrative section explaining the reasons for any deviation from the guidelines and recommendations for action required to ensure compliance.

Indicator : Increased PSDU Lending. This indicator is a proxy for PSDU increased capacity to make high quality private sector investments. With the help of grant funded activities, it is estimated that PSDU staff will be able to prepare more (an increase from roughly 1 to 1.3 projects prepared per PSDU professional staff member per year by June 1994) and higher quality projects for financing. The targeted indicators for PSDU financing operations expected as a result of the combined private sector related project activities, are as follows:

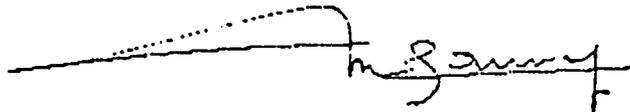
	1991	92	93	94
Number of Investment Projects	2	5	12	20
Amount (in million \$US)	9.8	13	55	100

PSDU will monitor and report progress towards these targets to the COOP Department on a six-month basis. The reports will include a short explanation of any deviations from the planned targets with recommendations for actions required to improve Private Sector lending and to ensure that the targets are met. The primary sources on progress towards PSDU lending targets are the PSDU Quarterly and Annual Reports.

We thank you for the continuing assistance of the USAID to the ADB in working to bring development to the African continent.

If there is any further information or point of clarification that you would like us to provide please feel free to contact us.

Sincerely,



for
A.I. Jituboh
Director
Cooperation Department.

cc: Mr. Ferhat Lounes, Vice President, COVP
Dr. M.S. Nedelcovych, U.S. Executive Director

UNCLAS AIDAC SECSTATE 289472

ACTION: REDSO-1
INFO: ECON-1

DISTRIBUTION: AID
CHARGE: AID

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UNCLAS SECTION 01 OF 02 STATE 289472

AIDAC

E.O. 12356: N/A

SUBJECT: AFRICAN DEVELOPMENT BANK (AFDB) II PROJECT PAPER SUPPLEMENT

1. A TECHNICAL REVIEW OF THE AFDB II PROJECT PAPER AMENDMENT WAS HELD ON AUGUST 21, 1992. PRESENT AT THE MEETING WERE REPRESENTATIVE OF AFR/CCWA, AFR/DP, POL/IDP, AFR/ONI, AND REDSO/WCA. THE REVIEW COMMITTEE SUGGESTS THAT REDSO MAY WANT TO ADDRESS THE FOLLOWING POINTS BEFORE THE PROJECT AMENDMENT IS APPROVED AND AUTHORIZED BY REDSO/WCA.

2. JUSTIFICATION FOR BUDGET AND EXTENSION OF PACD. THE PAPER DOES NOT STATE CLEARLY WHY AN ADDITIONAL USD 5 MILLION AND ONE YEAR ARE NEEDED TO ACHIEVE THE PROJECT OBJECTIVES. THE PROPOSAL PROVIDES A 25 PERCENT INCREASE IN FUNDING FOR THIS PROJECT, AND THUS SHOULD PROBABLY BE CONSIDERED A PROJECT PAPER AMENDMENT RATHER THAN A SUPPLEMENT. THE DIFFERENCE IS NOT THE LENGTH OF THE DOCUMENT BUT THE TYPE OF INFORMATION PROVIDED: THE CENTRAL MISSING PIECE FOR AN AMENDMENT IS THE INSTITUTIONAL ANALYSIS, WHICH SHOULD ATTEMPT TO RATIONALIZE THE USD 5 MILLION INVESTMENT.

THE BACKGROUND EXPLAINING WHAT THE AFDB IS TRYING TO ACCOMPLISH AND WHAT MECHANISMS IT HAS IN PLACE TO ACCOMPLISH THESE OBJECTIVES COULD PROBABLY BE PULLED FROM PAST-EVALUATIONS. AT THIS POINT IN THE BANK'S LIFECYCLE, IT MIGHT BE APPROPRIATE TO COMPARE ITS SIZE, FORTFOLIO AND EXPERIENCE WITH THOSE OF OTHER DEVELOPMENT BANKS (E.G. THE ASIAN DEVELOPMENT BANK AND THE INTER-AMERICAN DEVELOPMENT BANK) TO SEE IF ITS WEAKNESSES ARE TYPICAL AND SOLVABLE.

THE QUESTIONS THE AMENDMENT SHOULD ANSWER ARE: GIVEN

UNCLAS AIDAC SECSTATE 289472

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INFO.	D
	DD
DUE DATE	9/08
CHANGE ACTION TO:	
ACTION TAKEN	NAN at 4/9,
	VS 09/15/92

58

PERFORMANCE TO DATE, WHY DOES USAID BELIEVE THAT FURTHER ASSISTANCE OF THIS NATURE WILL RESULT IN MEASURABLE IMPROVEMENTS IN THE LIVES OF AFRICANS? AT WHAT POINT WILL USAID DISCONTINUE FUNDING, AND HAS USAID BEEN CLEAR WITH THE AFDB ON THIS ISSUE? IN THIS REGARD, HAS USAID RECEIVED A PLAN FROM THE BANK FOR FUTURE FUNDING OF THESE ACTIVITIES FROM RETURNS ON ITS INVESTMENTS?

3. REDSO INVOLVEMENT. THE PAPER NOTES THAT THE AFDB HAS BEEN DESIGNATED A PUBLIC INTERNATIONAL ORGANIZATION (PIO), AND THAT AID GUIDANCE THEREFORE ASSIGNS IT RESPONSIBILITY FOR MANAGING THE PROJECT. HOWEVER, THERE IS CONFUSION IN THE DOCUMENT OVER WHETHER THE AFDB IS TO BE TREATED AS A PIO, IN WHICH CASE ONLY MINIMUM USAID INVOLVEMENT IN THE PROJECT WOULD BE REQUIRED. THE CONFUSION IS ENGENDERED BY THE SIGNIFICANT PLANNED INVOLVEMENT OF REDSO IN PROJECT IMPLEMENTATION. IF THE BANK IS TO BE TREATED AS A PIO, THE AMENDMENT SHOULD INCLUDE A DESCRIPTION OF THE BANK'S ACCOUNTING AND CONTRACTING PROCEDURES DEMONSTRATING THAT THESE ARE RESPONSIBLE, EFFECTIVE AND ACCEPTABLE TO A.I.D. IF THIS IS THE CASE, THE MISSION SHOULD ELIMINATE ITS ROLE BOTH IN PROGRAMMING THE FUNDS AND IN CONTRACTING FOR SERVICES. IF SUBSTANTIAL REDSO INVOLVEMENT IS REQUIRED FOR A TRANSITIONAL PERIOD, THE LENGTH OF THIS PERIOD SHOULD BE CLEARLY DEFINED, AND A COOPERATIVE AGREEMENT MAY BE THE PREFERRED INSTRUMENT FOR THE AMENDMENT.

4. PROGRAM FOCUS. THE BODY OF THE SUPPLEMENT DESCRIBES THE AFDB AS AN INSTITUTION THAT IS WEAK AND INCAPABLE OF HANDLING ITS OWN ADMINISTRATION. IF THIS IS STILL A WEAK INSTITUTION, SHOULDN'T THE SCOPE OF ACTIVITIES OF THE AMENDMENT BE NARROWED TO THOSE WHICH ARE ESSENTIAL TO INCREASING THE PROFITABILITY AND EFFECTIVENESS OF THE BANK'S LOAN PORTFOLIO? HAS THE AFDB GIVEN USAID ANY INDICATION OF ITS PRIORITIES -- PARTICULAR Y IF FUNDING IS LIMITED?

5. LACK OF BUDGET FOR AUDIT. AS PERIODIC AUDITS ARE NECESSARY TO ENSURE PROJECT FUNDS ARE USED EFFECTIVELY AND APPROPRIATELY, THE REVIEW COMMITTEE RECOMMENDED THAT A LINE ITEM FOR AN AUDIT BE INCLUDED IN THE BUDGET.

6. PROGRAM LOGFRAME. REDSO MIGHT CONSIDER REVISING THE LOGFRAME TO REFLECT THE SPECIFIC OBJECTIVES OF THE AMENDMENT. FYI: NOTE THAT THE INDICATORS FOR THE GOAL DO NOT REALLY MEASURE THE PROMOTION OF ECONOMIC AND SOCIAL DEVELOPMENT IN AFDB MEMBER STATES AND THAT THE END OF PROJECT INDICATORS FOR PROJECT QUALITY IMPROVEMENT ARE RATHER VAGUE AND MAY NOT BE MEASURABLE AND VERIFIABLE.

7. COORDINATION OF AFDB AND OTHER MULTILATERAL DEVELOPMENT BANK LOAN CONDITIONALITIES, INCLUDING A.I.D. NON-PROJECT

ASSISTANCE AND TO THOSE CONDITIONALITIES TIED TO REPLENISHMENT FUNDING FROM THE U.S. TREASURY. PARTICIPANTS AT THE REVIEW POINTED OUT THAT IN MANY AFRICAN COUNTRIES THE AFDB DOES NOT COORDINATE WITH THE WORLD BANK AND IMF IN SETTING REFORM CONDITIONALITIES FOR UNCLAS SECTION 02 OF 02 STATE 289472

AIDAC
E.O. 12356: N/A

THEIR RESPECTIVE LOANS, AND THAT AS A CONSEQUENCE THE INSTITUTIONS OFTEN END UP WORKING AT CROSS PURPOSES. THE COMMITTEE SUGGESTED THAT REDSO/WCA ENCOURAGE USAID MISSIONS TO WORK TO ENHANCE COMMUNICATION BETWEEN THEIR HOST GOVERNMENTS AND THE MULTILATERAL LENDING INSTITUTIONS. THIS IS ESPECIALLY CRUCIAL WHEN AFDB REFORM LOANS FOR CERTAIN COUNTRIES MAY CONFLICT WITH A.I.D. CONDITIONALITIES.

8. AFDB'S PRIVATE SECTOR DEVELOPMENT UNIT (PSDU). COMMITTEE MEMBERS ALSO EXPRESSED CONCERN ABOUT THE PSDU'S ABILITY TO PROVIDE SOUND LOANS TO THE PRIVATE SECTOR AND SUGGESTED THAT THE TECHNICAL ASSISTANCE BUDGETED FOR THIS UNIT BE USED TO STRENGTHEN ITS CAPACITY FOR LOAN APPRAISAL AND EVALUATION.

9. IN LIGHT OF THE ABOVE CONCERNS/COMMENTS, MISSION MAY WANT TO CONSIDER A FY93 START TO ALLOW FOR ADDITIONAL DESIGN ACTIVITIES. EAGLEBURGER

BT
#9472

NNNN

INITIAL ENVIRONMENTAL EXAMINATION
OR
CATEGORICAL EXCLUSION

PROJECT COUNTRY: Africa Regional
PROJECT TITLE: African Development Bank Project II
(624-0434)
Amendment Number One
FUNDING: FY(s): LOP US\$: 5 million
IEE PREPARED BY: Jennifer Notkin 
Project Development Officer
REDSO/WCA

ENVIRONMENTAL ACTION RECOMMENDED:

Positive Determination	_____
Negative Determination	_____XXX
Categorical Exclusion	_____XXX
Deferral	_____

SUMMARY OF FINDINGS:

The purpose of this project amendment is to increase the number and amount of environmentally sound loans and profitable private sector investments approved annually by the African Development Bank (AfDB). It adds \$5 million in LOP funding and two years to an institutional capacity-building project with the AfDB.

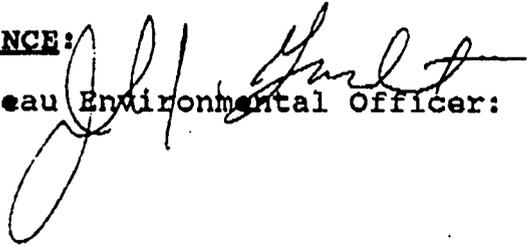
The activities under the project amendment include:
1) training for AfDB staff in the areas of environmental impact assessment and the analysis of private sector projects;
2) technical assistance to the Environmental Division to strengthen its guidelines and procedures for the implementation of the environmental policy; 3) technical assistance to the Private Sector Development Unit (PSDU) for the development of a policy for extending lines of credit to private financial institutions in Africa, which will include prohibitions against loans for the procurement of pesticides; 4) and technical assistance and commodities for the creation two information resource centers, one for the Environmental Division and one for the PSDU. It cannot be foreseen that this amendment will have an adverse impact on the environment or natural resources.

Therefore, (A) Technical assistance and training are recommended for a categorical exclusion under 22 CFR 216.2 (c)(2)(i); (B) computer commodities to be procured is recommended for a negative determination.

CLEARANCE:

REDSO/WCA Director: Fredrick E. Gilbert DATE: 3/29/93

CONCURRENCE:

Bureau Environmental Officer: 

APPROVED: ✓

DISAPPROVED: _____

DATE: 4/9/93

CLEARANCE:

GC/AFR: 

DATE: 4/29/93

Therefore, (A) Technical assistance and training are recommended for a categorical exclusion under 22 CFR 216.2 (c)(2)(i); (B) computer commodities to be procured is recommended for a negative determination.

CLEARANCE:

REDSO/WCA Director: Frederick E. Gilbert DATE: 4/5/93
Frederick E. Gilbert

CONCURRENCE:

Bureau Environmental Officer: APPROVED: _____
DISAPPROVED: _____
DATE: _____

CLEARANCE:

GC/AFR: _____ DATE: _____

ENVIRONMENTAL ELEMENT

Two Roundtables	Yamoussoukro		\$99,235.00	
AfDB travel	x25	500.00		\$20 RT
Expert travel	x20	70,000.00		\$3500 RT
All per diem	x45	9,135.00		\$203 PD
Consultant salaries	x30 days	9,600.00		\$320 PD
Facility		5,000.00		
Other direct		5,000.00		
Skills Training in U.S.	One month		\$429,600.00	(30 days)
Tuition & travel	x30	285,000.00		\$9500
Per diem		135,000.00		
TA to arrange	x30	9,600.00		\$320 PD
Speczd Trng in U.S.	Three months		\$346,400.00	(100 days)
Tuition	x8	192,000.00		
Per diem	x8x100	120,000.00		\$150 PD
travel		28,000.00		\$3500 RT
TA to arrange	x20 days	6,400.00		320 PD
Policy Observer	Nine months		\$149,690.00	(270 days)
Salary		86,400.00		
Travel		10,500.00		3 trips
Per diem		47,790.00		\$177 PD
Other		5,000.00		
Contractor Overhead			\$265,000.00	
(estimated at 125% of technical assistance)				
Subtotal			<u>\$1,289,925.00</u>	
Resource Center			\$750,000.00	
computers		100,000.00		
databases		500,000.00		
printed resources		50,000.00		
technical assistance		100,000.00		
ELEMENT TOTAL			<u>\$2,039,925.00</u>	

PRIVATE SECTOR ELEMENT

Training			\$678,200.00	
Tuition & travel	x11	104,500.00		\$9500 each
Per diem		49,500.00		30 daysx\$150
Topical Seminars	x5	500,000.00		
TA to arrange	x60 days	19,200.00		\$320 PD
Materials/repro/comm		5,000.00		
Ops Manual			\$49,730.00	
TA over 3 mos		28,800.00		\$320 PD
Perdiem		15,930.00		\$177 PD
Materials/repro/comm		5,000.00		
Lines of Credit			\$49,730.00	
TA over 3 mos		28,800.00		\$320 PD
Perdiem		15,930.00		\$177 PD
Materials/repro/comm		5,000.00		
Contractor Overhead (125% TA)		221,000.00	\$221,000.00	
Subtotal			<u>\$998,660.00</u>	
Resource Center			\$1,050,000.00	
computers		100,000.00		
datalinks		500,000.00		
subscriptions		50,000.00		
technical assistance		100,000.00		
other direct costs		300,000.00		
ELEMENT TOTAL			<u>\$2,048,660.00</u>	

BANQUE AFRICAINE DE DÉVELOPPEMENT AFRICAN DEVELOPMENT BANK

ADRESSE TÉLÉGRAPHIQUE
AFDEV ABIDJAN
TÉLÉPHONE: 20.44.44
TÉLEX: 23717
23498
23263
FAX: 32.77.53

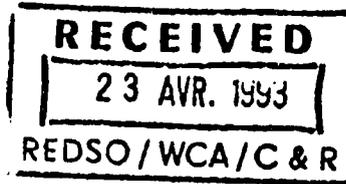
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RÉFÉRENCE: COOP1/USAID/2476/04/93

DATE: 20 AVR. 1993

Ms. Margaret Alexander
Assistant Director, PMO
REDSO, WCA
ABIDJAN



Dear Ms. Alexander,

USAID GRANT TO THE AFRICAN DEVELOPMENT BANK AS A P.I.O

We refer to our letter of request dated March 30, 1993, in connection with the Bank's request to REDSO on the USAID Agreement Amended on the Grant to the African Development Bank.

Please find herewith attached, the budgets for the Bank's contribution to the activities proposed in the two main areas of focus of the proposed Amendment.

The Bank's total contribution is expected to be of the order of U.S.\$ 1,860,898.

We hope that this information will enable REDSO finalize the Grant document for signature as soon as possible.

Thank you for your continuing cooperation and assistance.

Sincerely,

D.P. Mutalemwa
D.P. Mutalemwa
Acting Director
Cooperation department

Attachment: Bank contribution budget.

#0411

ACTION	<i>PDE</i>
INFO.	<i>J</i>
	<i>DD</i>
DUE DATE	<i>04/30</i>
CHANGE ACTION TO:	<i>PDE</i>
ACTION TAKEN	

BK

04/23/93

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BUDGET FOR PRIVATE SECTOR ELEMENT

TOTAL EXPECTED ADB CONTRIBUTIONS TO ENVIRONMENT AND PRIVATE SECTOR:US S 1,650,000

BUDGET FOR PRIVATE SECTOR ELEMENT

A. INVESTMENT OFFICER TRAINING:

CATEGORY	NO	DURATION(MONTHS)	SALARY/COST	TOTAL (US S)
Unit Head	1	1	5,970	5,970
Officers	9	2	5,330	95,940
Officers	2	3	4,400	26,400

Sub-total

128,310

B. INFORMATION RESSOURCE CENTRE:

Staff	2	24	4,400	211,200
Secretaries	2	24	1,443	69,264
Computers and Printers	4	-	20,000	20,000
Officers and Furniture	-	-	5,000	5,000

Sub-total

305,464

C. PSDU OPERATIONS MANUAL:

Staff	2	24	5,330	255,840
Secretary Office	1	24	1,443	34,632

Sub-total

290,472

D. LINE OF CREDIT
POLICY DEVELOPMENT

Staff	2	12	4,400	105,600
Secretary Office	1	12	1,443	17,316

Sud-total

122,916

GRAND-TOTAL

TOTAL CONTRIBUTION : PRIVATE SECTOR ELEMENT:US S 847,162

847,162

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BUDGET FOR ENVIRONMENTAL ELEMENT

TOTAL EXPECTED ADB CONTRIBUTIONS TO ENVIRONMENT AND PRIVATE SECTOR:US S 1,650,000

BUDGET FOR ENVIRONMENT ELEMENT

A. TRAINING

1. SKILLS TRAINING FOR OPERATIONS STAFF

First Group

	CATEGORY	NO	DURATION(MONTHS)	SALARY/COST	TOTAL (US S)
	Directors & Deputy				
	Directors	5	1	7,300	36,514
	Division Chiefs	5	1	5,970	29,851
	Officers	15	1	5,330	79,960
Sub-total		25			146,154

Second Group

	Directors & Deputy				
	Directors	5	1	7,300	36,514
	Division Chiefs	5	1	5,970	29,851
	Officers	15	1	5,330	79,960
Sub-total		25			146,154
GRAND-TOTAL		50			<u>292,308</u>

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2. SPECIALIZED COURSES FOR ENVIRONMENTALISTS

CATEGORY	NO	DURATION(MONTHS)	SALARY/COST	TOTAL(US S)
Officers	16	4	5,330	341,154

3. PERSONNEL (AHRM)

Professional	1	24	4,249	101,992
Secretary	1	24	1,996	47,913

Sub-total

149,905

4. ROUNDTABLE WORKING SESSIONS
(DURATION : WEEK)

V. Ps	4	1	1,670	6,683
E.D.	18	1	1,575	28,364
Directors & D. Directors	12	1	1,797	21,566

Sub-total

56,613

GRAND TOTAL

547,672

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B. CEPR 3 AND REGIONAL ENVIRONMENTAL RESOURCE CENTER

1. CEPR 3

	CATEGORY	NO	DURATION (MONTHS)	SALARY/RENT	TOTAL (US S)
	Staff	6	24	5,330	767,613
	Secretaries & Temp. Staff	4	24	1,443	138,523
	Office Space				
Sub-total					906,136

2. REGIONAL ENVIRONMENTAL RESOURCE CENTER

	Staff	1	24	4,300	51,600
Equipement :	Office Space	2	24	3,000	36,000
	Computers & Printer	4		20,000	20,000
	Furniture				
Sub-total					107,600
TOTAL CONTRIBUTION : ENVIRONMENT ELEMENT					1,013,736
TOTAL ADB CONTRIBUTION : US S					1.860.898

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