

PD BAT 645

NOTICE OF MEETING

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MEETING: Issues and ECPR Meetings

FILE

	<u>ISSUES</u>		<u>ECPR</u>
DATE:	November 13, 1984	DATE:	November 19, 1984
TIME:	10:00 A.M.	TIME:	3:00 P.M.
PLACE:	1408 N.S.	PLACE:	6941 N.S.

AGENDA

African Development Bank II Project
(698-0434)

Attachments:
Project Paper

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PPC/PDPR/SDP, L. Hamilton (6) 3894	

STATE: AF/EPs: R. Reed 5242A

Project Committee Members

AFR/PD/CCWAP: W. Elliott	AFR/RA: F. Dimond, 4533
AFR/DP: G. Cauvin, 3917D	GC/AFR: B. Bryant, 6891
AFR/TR/ENG: J. Snead 2491	AFR/TR/ARD: K. Prussner, 2941
S&T/RD: M. Farbman, 613B SA-18	PPC/PDPR: N. Zank 3889

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <div style="border: 1px solid black; padding: 2px; display: inline-block;">A</div> A = Add C = Change D = Delete		Amendment Number _____		DOCUMENT CODE <div style="border: 1px solid black; padding: 2px; display: inline-block;">3</div>	
COUNTRY/ENTITY AFRICA REGIONAL		3. PROJECT NUMBER <div style="border: 1px solid black; padding: 2px; display: inline-block;">698-0434</div>					
4. BUREAU/OFFICE AFR <div style="border: 1px solid black; padding: 2px; display: inline-block;">06</div>		5. PROJECT TITLE (maximum 40 characters) African Development Bank Project II					
6. PROJECT ASSISTANCE COMPLETION DATE (FACD) MM DD YY 016 310 910		7. ESTIMATED DATE OF OBLIGATION (Under "B:" below, enter 1, 2, 3, or 4) A. Initial FY <div style="border: 1px solid black; padding: 2px; display: inline-block;">815</div> B. Quarter <div style="border: 1px solid black; padding: 2px; display: inline-block;">74</div> C. Final FY <div style="border: 1px solid black; padding: 2px; display: inline-block;">819</div>					
8. COSTS (\$000 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		3750	-	3750	15,000	-	15,000
(Grant)		3750	-	3750	15,000	-	15,000
(Loan)		-	-	-	-	-	-
Other U.S. 1.							
2.							
Host Country			750	750		3,301	3,301
Other Donors)			-	-		-	-
TOTALS		3750	750	4500	15,000	3,301	18,301
9. SCHEDULE OF AID FUNDING (\$000)							
A. APPROPRIATION PURPOSE CODE	B. PRIMARY TECH CODE 1. Grant 2. Loan	C. OBLIGATIONS TO DATE		D. AMOUNT APPROVED THIS ACTION		E. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD	792	811	-	-	7,700	-	7,700
(2) FN	800	240	-	-	7,300	-	7,300
(3)							
(4)							
TOTALS		-	-	-	15,000	-	15,000
10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 060 820 230 510						11. SECONDARY PURPOSE CODE 680 840 791	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code	3R	INTR			BS	NUTR	TECH
B. Amount	9,300	2,000			1,000	1,350	1,350
13. PROJECT PURPOSE (maximum 480 characters)							


To strengthen the capacity of the African Development Bank (AfDB) Group to develop and manage projects in an enlarging and improved portfolio.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim	MM YY 017 817	MM YY 11 819	Final	MM YY 111 819	<input type="checkbox"/> 000	<input checked="" type="checkbox"/> 941	<input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)							

Concurrence on methods of implementation and financing:

M/FM/CONT

17. APPROVED BY

Signature 
Title
William H. Naylor, Jr.
Director, AFR/RA

Date Signed
MM DD YY
11 | 01 | 819

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

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2

TABLE OF CONTENTS

FACESHEET

ACTION MEMORANDUM, AUTHORIZATION

CONTENTS

GLOSSARY

EXECUTIVE SUMMARY	i
I. PROJECT DESCRIPTION	1
A. Rationale	1
1. Objective	1
2. Evolution of the Bank Group	1
3. Interests of the United States	6
4. Approach	8
B. Elements	9
1. Structure	9
2. Long-term Technical Assistance	10
3. Short-Term Technical Assistance	13
4. Training	14
5. Commodities	15
6. Evaluations	16
7. Portfolio Development	16
C. Results and Issues	18
II. COST ESTIMATES AND FINANCIAL PLAN	19
III. IMPLEMENTATION PLAN	23
IV. MONITORING AND EVALUATION PLAN	25
V. CONCLUSIONS OF ANALYSES	27
A. Economic Analysis	27
B. Financial Analysis	27
C. Management and Administrative Analysis	28
1. General	28
2. AfDB Management and Administration as Treated by This Project	29
D. Social Analysis	32
E. Environmental Analysis	32
VI. CONDITIONS	34

Annexes

- A. PID Approval Cables
- B. Logical Framework
- C. Statutory Check List
- D. AfDB Letter of Request
- E. Economic Analysis
- F. Financial Analysis
- G. Social Analysis
- H. Assessment of Methods of Implementation and Finance
- I. Management and Administration Tables and Long-Term technical Assistance Job Descriptions
- J. Implementation of Recommendations in Evaluation
- K. Analysis of AfDB Group Lending Portfolio
- L. Management and Administrative Analysis
- M. AfDB Operations and Financial Management
- N. Technical Assistance, Other Donor
- O. Country Analysis of Procurement
- P. Career Service
- Q. Evaluation Report
- R. Initial Environmental Examination
- S. Action Memorandum Authorizing AfDB's Use of African Firms for Preparation of TOR's and Pre-investment Studies Under A.I.D. Grant Project

GLOSSARY

A.A.D.F.I.	Association of African Development Finance Institutions
A.C.M.S.	African Center for Monetary Studies (Senegal)
AfDB	African Development Bank
AfDF	African Development Fund
A.I.D.	Agency for International Development
ARDN	Agriculture, Rural Development and Nutrition
BANK	African Development Bank
BANK GROUP	African Development Bank Group
BUA	Bank Unit of Account
CIDA	Canadian International Development Agency
CY	Calendar Year
ECA	Economic Commission for Africa
EDI	Economic Development Institute (World Bank)
EDP	Electronic Data Processing
FAO	Food and Agriculture Organization
FUA	Fund Unit of Account
FY	Fiscal Year
IBM	International Business Machines
IBRD	International Bank for Reconstruction and Development
IEE	Initial Environmental Examination
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
KP	Kidder, Peabody
LOP	Life of Project
LPA	Lagos Plan of Action
MDBs	Multilateral Development Banks
NTF	Nigeria Trust Fund
PID	Project Identification Document
PM	Person Month
PP	Project Paper
RA	Regional Affairs
REDSO/WCA	Regional Economic Development Services Office for West and Central Africa
SDA	Special Development Activities
TA	Technical Assistance
TAA	Technical Assistance Account
TAF	Technical Assistance Fund
TC	Training Center
TOR	Terms of Reference
UA	Unit of Account
UN	United Nations
UNDP	United Nations Development Program
U.S.	United States
USG	United States Government
WFP	World Food Program
WHO	World Health Organization

EXECUTIVE SUMMARY

Grantees: The African Development Bank (AfDB).

Implementing Agencies: The AfDB and REDSO/WCA, Abidjan.

Financial Plan and Terms: A.I.D. will provide a grant of \$15 million in foreign exchange over the five year life of the project, divided between SDA (Section 106) funds of \$7.7 million and ARDN (Section 103) funds of \$7.3 million. The AfDB's in-kind contribution will be approximately \$3.3 million. The FY1985 obligations are SDA \$2.75 million and ARDN \$1.0 million.

Purpose: To strengthen the capacity of the AfDB Group (including African Development Fund and Nigeria Trust Fund) to develop and manage projects in an enlarging and improved portfolio. This will serve the goal of promoting essential economic and social development in AfDB member states, especially the poorest, as assisted by the Group.

Background: The project continues A.I.D. assistance to the AfDB which began 16 years ago and has materially assisted this preeminent African lending institution to develop institutionally and expand its portfolio of worthy projects. There is a convergence of United States interests and grant assistance needs of the AfDB to the end of this decade. The approach of this project is to join these at a level whose impact will be significant and in a blend which will enable institutional development to progress to near a self-sustaining point, while development of the AfDB Group's portfolio proceeds to meet increasing regional needs.

Description: The project will finance a mix of long- and short-term technical assistance to Bank operations, both in general management and for project work and country/sectoral studies. This will be complemented by assistance to the training programs of the Bank, both for its own staff and for those member country agencies' managers who deal with Bank projects. Modest funding of necessary commodities will be provided, including reservation of funds for additional computer hardware to be procured if deemed necessary. Funds will also be made available for pre-investment studies, and short-term project preparation and supervision assignments intended to accelerate the loan programs for the poorer countries of Africa in agriculture and rural development.

Summary Findings: The AfDB has a major need for bilateral grant assistance of this type to the end of the 1980's. That is owed to its projected at least doubling of lending levels in the period and its current straightened financial situation caused by past too lenient lending rate policies and unexceptional credit worthiness as viewed by investors services. The financial picture now is promising, and the Bank's financial management otherwise is excellent.

The economic and social benefits of the project are expected to be in multiples of the project's magnitude, as improved projects will result from the technical, training and studies assistance that leverage enormous lending. Administrative and management analysis indicates that past and to some extent current problems of organizational indiscipline, inadequate coordination and teamwork, and insufficient training opportunities, information systems, planning and financial management and career service arrangements are being redressed and therefore should be temporary. The project's inputs complement considerable bilateral support from other Western donors as well as that from the AfDB Group's own resources in these fields.

Issues: Implementation of the project must be flexible to allow for modification as monitoring progresses. There must be an A.I.D. commitment to working with the Bank with respect to the management of specific inputs to achieve desired outputs, for example viable plans for long-term training, data processing and evaluation; fully articulated project management manuals; effective training; and excellent pre-investment studies which result in successful loans. Likewise the Bank's intention to engage clients in meaningful policy dialogue should be supported continuously. Otherwise the project could fail.

The magnitude and duration of the project are predicated on the view that by the end of the decade, having received bilateral assistance from the United States and other donors of this type, the AfDB will have considerably matured as an institution, while growing apace as a source of development finance.

Small, Disadvantaged and Woman-owned Firms: Procurement of goods and services will follow A.I.D. regulations and procedures; however institutional contracts, except for provision of pre-investment studies, are not planned.

Waivers: The preclusion of Sahel countries from receiving the benefits of SDA and ARDN account assistance will be waived.

Conditions: Precedent to disbursement for project elements, the AfDB will have presented to A.I.D. and A.I.D. will have approved detailed justifications, scopes, and financial plans based on yearly plans. The AfDB will covenant to provide necessary support as indicated in the Financial Plan. It is further agreed that the Bank will continue development of a long-range training plan and establishment and operation of a career system for professionals, including recruitment of non-regional member nationals.

Authorship: This PP was composed and edited from earlier REDSO/WCA and AFR/RA drafts by Dr. James Osborn, Assistant Director for Project Development and Regional Implementation of REDSO/WCA, with the assistance of Dr. George Jones, Division Chief for Regional Implementation and Ms Nancy Nolan of REDSO/WCA/PDRI.

I. PROJECT DESCRIPTION

A. Rationale

1. Objective

The project's purpose is to strengthen the capacity of the African Development Bank (AfDB) Group to develop and manage projects in an enlarging and improved portfolio. This will serve the goal of promoting essential economic and social development in AfDB member states, especially the poorest, as assisted by the Group. The project has two major components, one promoting institutional and professional development for the Bank and member state institutions with which it deals, and the other providing finance for development of the Bank Group's loan portfolio via pre-investment studies.

The mix of grant assistance addresses current needs for enhanced technical and managerial expertise applied to Bank work in a period when development lending is destined to increase three to five-fold (by the year 2000; that is annual commitments rising from the current approximately \$1.0 billion to \$3-5 billion), but the Group's professional and portfolio development capacity is already strained and incompletely perfected. Over the five-year life of this project, sufficient management improvement, technical staff development and acceleration of the loan appraisal and supervision processes of the Bank should be achieved.

2. Evolution of the Bank Group

All are aware that the continent of Africa is facing an economic crisis of extreme seriousness. As detailed in the Economic Analysis (see Annex E), Africa remains the poorest region in the world, despite a low population-to-land ratio and enormous agricultural and natural resource potential. Of the 50 regional member countries of the African Development Bank, only five are "middle income" or better. A stunning 33 of the world's 42 "low income" countries (annual per capita incomes less than \$400) are in Africa. During the last decade a sizable number of African countries have experienced negative growth in per capita income. This has been devastating in human welfare terms because the earlier income base was so low and in political terms because it has belied the promises of development after independence (see Annex G, Social Analysis). Africa's long-term hope of emerging from this dismal situation lies in the development of indigenous institutions which formulate realistic strategies for development and then marshal the resources necessary for effective implementation of the resulting plans.

The AfDB, founded in 1963, is the preeminent institution of this sort. At its opening, the Bank had 22 members, capital resources of \$300 million and staff of 45. Since then the enormous demand for development resources in Africa has impelled the Bank on a course of steadily accelerating growth. (See Annex K for a detailed analysis of Bank Group lending trends.) Today, as the AfDB's African membership stands at 50 states (all African countries but the Republic of South Africa), it is in the process of raising its authorized capital to \$6.3 billion. There are

833 staff members of whom 250 are professionals. While the Bank began its life as an all-African organization, it was opened to non-regional members on December 30, 1982. There are currently 23 non-regional members. The United States joined in February, 1983.

The AfDB is the leading of three organizations which collectively form the African Development Bank Group. The second, the African Development Fund (AfDF), the concessional loan affiliate of the Group, was established in 1974 with \$89 million in contributions and 14 non-African members. Today, the Fund has 26 members and subscriptions have reached a cumulative total of nearly \$2.14 billion. The United States joined in November 1976. The third member of the Group, the Nigeria Trust Fund (NTF), is a special fund established in 1976 by Nigeria to assist in the development of the economies of the most needy AfDB members. (Total Nigerian contributions to the NTF to date have been about \$132 million.). The Bank administers the financial resources of the AfDF and NTF.

As development problems continued to accumulate on the African continent during the 1970's, planners at the Bank realized the need for significant improvements in the institution's operations if it were to perform effectively its role as a multilateral development bank for the region in the 1980's and beyond. The series of problems faced by the Bank were formidable. First was the deteriorating economic situation in a continent already the poorest in the world.

Second, it was becoming increasingly clear that effective development would be critically dependent on in-depth economic analyses and the formulation of effective economic policies to promote growth. For the AfDB to fulfill its role, it must be able to provide expert policy and administrative advice to its member countries. The Bank management is giving high priority to recruitment of experienced professionals in all sectors to provide these resources to its borrower members.

Third, an early policy decision of the Bank to keep its lending charges to member countries as low as possible led to certain financial problems. While perhaps justifiable in early days, the decision obviously kept Bank earnings below a desirable level, restraining its ability to compensate its staff at competitive levels and provide comprehensive services to client countries. In addition, the Bank had not (until recently) been rated by any of the major financial services and this restricted its access to world long-term credit (bond) markets, forcing it to pay considerably more than it otherwise would for its steadily increasing borrowings.

Bank planners realized that all of these problems would have to be dealt with simultaneously if the Group were to achieve its primary goals, i.e., significant improvement in the quality of its operations, a major increase in the rate at which it transfers resources to member countries, and the linkage of sub-regional, national and sectoral activities into fully integrated development strategies. The AfDB's response is the "Operational Program for the period 1982-86". This differs from previous efforts of this type in respect to its approach, scope, and emphasis. It represents the Bank's first attempt at a systematic approach to planning, including personnel planning, by the various departments of the Bank. It

is the first comprehensive program that not only reviews the past and future roles of the Bank Group, but also makes a systematic estimation of resource requirements and sets targets for the institution's support to member countries. And it focuses on specific operations and policies within the Bank that need improvement in order to enhance the Bank's effectiveness in fulfilling its role of supporting economic and social development in member countries.

The key objective of the plan is to assist regional members in achieving a growth rate of 4.5 percent in real terms (assuming an inflation rate of 12.5 percent per annum during the plan period). The program is to increase the rate of the Group's disbursements, with a lending program for 1982-86 of \$7.26 billion. Bank loans will account for 57 percent with the remaining 43 percent AfDF/NTF loans. The annual volume of Group lending is expected to increase from \$766 million in 1982 to \$2.19 billion in 1986, with the average annual growth rate of operations projected at about 24 percent.

Bank planners realize that management of such markedly increased resource flows, and particularly the effective planning and supervision which the Bank wishes to provide and which development efforts in the continent so desperately require, entails a strong commitment by the AfDB to staff development and to improvement of its own administrative and management systems. (See Annex M.) Accordingly, an important aspect of the Operational Program has been a number of major actions taken to improve the Bank's overall administration, inter alia the following:

- The Group has taken the first steps toward computerization of its information management system through the purchase of IBM hardware.
- Reviews of employment practices, personnel management procedures, compensation, and job descriptions inter alia are underway (in part with the assistance of CIDA) and is scheduled to be completed during the first half of CY 1985; this should serve as one of the bases for establishing a career personnel system by 1986.
- Following the recommendation of a Coopers and Lybrand Study, the Training Center was created in 1978 as a separate department with its own staff and a growing program of Bank and Member country staff training.
- The Project Management Improvement Task Force (PMIP) was established in July 1982; its aim is better identification, preparation, and appraisal of projects. Phase II will begin soon, with the third and final phase scheduled to produce an operations manual covering all project management processes.
- An Evaluation Division created in November 1980 has institutionalized the post-evaluation function of the Bank Group; although its initial activities have been limited to project-related studies, e.g. rules and practices relating to the project cycle, and the Bank's institutional structure.
- The Bank's Treasury Department has worked with a firm of consultants to prepare a new financial operations procedure which is now operational.

- The entire project processing cycle is being streamlined; appraisals will focus on technical evaluation and financial returns. Simplified legal, administrative and procurement procedures have been installed; the processing of new loans will be fully programmed from identification to approval.

Finally, the AfDB has taken a number of actions to address the steadily more unfavourable financial situation mentioned above. It should be stressed that the Bank's problems were not the results of poor financial management. The Bank has always operated on a very conservative and prudent basis: the financial viability of the Bank has never come into question. However, as a result of a number of policy decisions made early on and adhered to through a period of rapid change, the Bank found itself in a position of low and declining earnings and of paying considerably more for its increasingly necessary short-term borrowings in the world capital markets than it otherwise should.

In order to gain access to world long-term capital markets, the Bank commissioned a major U.S. brokerage firm to do a study on the prospects of the Bank's obtaining a "Triple A" rating from the major investment services. The resulting report indicated that the Bank had an excellent chance of obtaining such a rating. Now, as reported by Kidder Peabody & Co., "on the basis of the Bank's operating record, its conservative borrowing and liquidity policies, coupled with the increased financial strength of its industrialized members' capital subscriptions, the African Development Bank's outstanding senior securities were rated AAA by Fitch Investors Service, Aaa by Moody's and AA by Standard and Poor's."* (See V.B and Annex F, below.) Thus the Bank's cost for capital should diminish significantly.

As a second major step on the financial front, the Bank has decided to raise its rates for lending to bring them more in line with world market rates. While the Bank's desire to keep its charges to its member countries low has been laudable, particularly in the African context, starving itself of sufficient funds to operate on an effective basis obviously has been fiscally damaging and, in the long run, not in the best interests of the member countries themselves. While it will take some years for this new policy to have a significant effect on the Bank's income streams, its having been made provides the Bank with a solid financial basis for planning for the future.

Significant problems remain, however, which are largely the legacies of the earlier Bank policies, now reversed, to put off creation of a career system and to keep earnings low, but which could have a negative effect on performance for some time to come. First, a comprehensive training program for professional staff and their counterparts in member country agencies (the clients) has not been completed and resources for its implementation are scarce. Secondly, and similarly, the career personnel system is still in a state of evolution: it is difficult to attract and retain qualified staff while the final results of the various reviews of the personnel system are awaited for consideration in the Bank and further work on organization and methods in this regard is held in abeyance.

Thirdly, although training of Bank professionals can be expected to improve systematically, following completion of the training needs assessment and with continued assistance from donors (including a diminishing contribution from this project), a greater need must be addressed if the AfDB Group's project portfolio is to perform well. That is the requirement in the large number of poor African countries for better qualified professionals managing loan projects in the Group's client agencies. It is absolutely essential that the quality of member countries' project management improve at the same rate as that of the Bank. And the AfDB is the natural source of instruction for this as integrated with its own elaboration of methodologies, principles and procedures. But only a concerted effort will have the timely impact that should prevent poor loan performance and inept project implementation at the country level.

Fourthly, although project identification, preparation, appraisal and management are being improved, as is data management, the Bank still has difficulty in preparing projects of consistently high quality for Board consideration. Procedures need further to be streamlined and coordination improved among departments. Along with this, the scope and depth of project evaluations need to be enhanced so that fully-rounded portfolio management occurs.

Lastly, the Bank recognizes the need to influence national and institutional policies in its member countries by well-conceived policy dialogue, especially with respect to food and agriculture. But its capacity to analyze such policies and their macroeconomic and social implications is at present insufficient to provide the incisive assessments and recommendations on borrowers' policies that productive dialogue requires. And there needs to be greater emphasis on country and sector analyses.

These problems of a developing and growing institution are solvable with good management and sufficient up-front resources. The combination, at this point, of a past low-earnings policy and rapidly expanding loan projections, however, means the Bank's institutional capacity to do its job is inadequate: it can afford only insufficient professional staff, and the financing of project preparation is highly constrained. For its 1982-1986 Operational Program, alone, the Bank has estimated that it will require \$65 million in grant assistance, primarily from bilateral donors, out of an estimated technical assistance budget of \$219 million.

These funds are required approximately eight percent for training and sectoral studies, 20 percent for various types of consultants and supplemental staff, and 72 percent for pre-investment studies. The need is computed on the basis of a projected stabilization of Group loans at about 55-60 per year through 1989. The removal of loan ceilings on Bank projects and the flexible loan ceiling policy adopted by the Fund, should result in larger projects. But in order to improve the quality of these large projects, an increase in the professional staff will be required to allow more staff time per project than at present.

The need is compounded by the facts that (a) the number of projects requiring supervision will increase from 389 in 1981 to 510 in 1988, (b) the projected need for \$219 million in technical assistance through 1986 is more than double that granted to the Bank since its establishment, (c) a considerable increase is needed in the numbers of development

strategies and sectoral studies for member countries, which cost about \$54,000 each, and (d) the average cost of a detailed engineering study is increasing by about 13 percent annually and will be about \$2 million by 1986.

Borrowing members are acutely short of the professional and financial resources necessary for project preparation and the risk of such investment is too high in a use of this sort. For this reason, the AfDB Group must also provide the resources for project identification and preparation. While the AfDB does have a soft-loan window for project preparation, only grant financing of pre-investment studies is practical for the poorer categories of AfDB Group member countries which it is the Bank's policy to assist predominantly. But the AfDB Group does not have the funds or even the mechanism, as yet, to make grants and thus remains dependent on bilateral donors to provide grants for pre-investment and preparatory work.*

Thus at present and until the Bank's new rate structure will provide additional operating resources and a grant mechanism is created, neither the financing for a full-fledged career system sufficient to meet needs, nor a movement away from dependence on external grant resources for pre-investment studies will be possible.

3. Interests of the United States

As noted above, United States participation in the AfDB Group originated in 1976 with membership in the AfDF, to which it has provided contributions for loans to the lowest-income African countries (U.S. subscriptions of \$290 million, the largest after Japan, through 1983). With membership in the Bank initiated in 1983 (subscription of 298.2 BUA in 1983, or approximately \$313 million), The United States joined other non-regional members in active participation in Bank affairs. The U.S. Executive Director, along with five other non-regional Executive Directors, attends regular AfDB Board meetings and promotes U.S. positions on issues which come before that body. While respecting the AfDB Group's character as a fundamentally African institution, the U.S. and other non-regional members are eager to assist the Group in effecting improvements which will strengthen its ability to address the region's critical development problems.

Basically, the United States is interested in ensuring that AfDB and AfDF projects are designed appropriately and economically to meet development needs, especially of the least developed African countries in the realms of food and nutrition and general rural well-being. With this, the United States, through both grant assistance and Board participation, seeks to promote in and through the Bank:

* Recognizing the bulk of technical assistance should be undertaken, ideally, on a grant basis, and the demand for technical assistance for the poorer countries will continue to increase, the Bank is reviewing the possibility of setting up an untied Technical Assistance Fund (TAF) to provide technical assistance to Category A and B (the poorer) countries on a grant basis. Both the Bank and Fund would contribute to the TAF's resources; the bilateral donors also would be asked to contribute. Undoubtedly it will take considerable time before such a mechanism is approved and set up.

- strengthened policy dialogue between the Bank and member countries, particularly concerning policy formulation;
- strengthened involvement of the private sector in African development, especially indigenous firms to whom on-lending may go, but also in the case of streamlined international competitive procurement of Group-financed goods and services; and
- strengthened capacity to induce technology transfer.

These interests of the United States have been reflected in the past and current grant assistance A.I.D. has provided the AfDB. A.I.D. made its first grant of \$938,000 in 1968, to permit the AfDB to "contract with U.S. firms for preparation of economic feasibility studies of projects up to and including final design, and assignment of U.S. personnel in operational, advisory or training capacities and to provide training to AfDB staff". During the period 1968-1977, grants from A.I.D. to the AfDB totalled \$13.5 million plus a Special Sahel grant of \$2.2 million. During that period, the AfDB contracted for four U.S. advisors (one transportation engineer, one financial analyst, and two agricultural economists). During that same period, 17 pre-investment studies were completed under the regular grant (ARUN and SDA) and six under the Special Sahel Grant. These studies resulted in investment of BUA 106.3 million (approximately \$120.0 million). See also V.C. below, for additional computations.

In 1976, it was decided that continued assistance by A.I.D. to the AfDB would depend on the preparation and approval of a project paper (PP). This was done, and in 1978 a grant agreement was signed for the continuation of the project. An exhaustive evaluation was completed and published in 1980; it provided a detailed analysis of the AfDB's performance and the utility of the technical assistance. The results were positive and included detailed recommendations reflecting the ideas and the thinking of Bank Staff on how to strengthen staff performance. (See Annex J.)

Following is a summary of outputs from A.I.D. assistance to the AfDB, 1968-1984:

- 38 studies and/or TORS completed at a total cost of \$6.58 million resulting in loans for development projects in 26 countries;
- six studies currently in process for a total of \$2.68 million;
- ten long-term technical advisors and one short-term advisor, for a total 21.5 person-years and five short-term consultants; and
- 281 persons trained, of whom 25 AfDB staff received overseas, long- or short-term training, and 266 persons were trained in Africa of whom 175 were AfDB staff and 91 were member-country nationals.

Both formal evaluation and monitoring by REDSO/WCA during the life of A.I.D. assistance to the AfDB indicate that this assistance has been well used, well managed although with some occasional delays, and beneficial directly and indirectly (in terms of leveraging other assistance) to African development along lines consistent with United States objectives

in the region. As a considerable need is still foreseen for bilateral grant assistance to the Bank as it evolves to maturity, it was natural for it to approach the United States for significant further help.

The project detailed below has been worked out with the full cooperation of Bank staff and will be implemented with several continuing U.S. interests in mind. First, it is of prime importance that as the Bank/Fund portfolio grows, the quality of projects brought before the Board not decline, but rather improve significantly. This is expected to happen as professional staff resources and systems are enhanced, greater attention is given to country and sectoral analyses resulting in fruitful policy dialogue, and grant resources available to the Bank for training and pre-investment studies continue to grow.

Secondly, it is expected that the Bank will establish within a reasonable time a career professional personnel system sufficient to the demands of this growing international institution. That is, it is essential that the Bank be competitive for the kind of talent it needs and can retain professionals over continuous and productive careers, including an appropriate proportion of non-regional member country nationals.

Thirdly, having produced the 1982-1986 Operational Program, it is anticipated that the Bank will undertake a continuous and deepening process of comprehensive program and management planning. There it will be clear to member countries and donors how development policies and priorities are linked to the AfDB Group's resources, their organization and use.

4. Approach

As indicated above, there is a convergence of United States interests and grant assistance needs of the AfDB to the end of this decade. The approach of this project is to join these at a level whose impact will be significant and in a blend which will enable institutional development to progress to near a self-sustaining point, while development of the AfDB Group's portfolio proceeds to meet regional needs. The project builds on the experience of A.I.D. in supporting the Bank over the past 16 years. Owing in part to that assistance, systems are now in place for international recruitment of advisors and consultants, financial management and data processing, development of pre-investment studies, and training of Bank and member country professional staffs.

Managed by the A.I.D. REDSO/WCA Mission in Abidjan, the project will finance a mix of long- and short-term technical assistance to Bank operations, both in general management and for project work and country/sectoral studies. This will be complemented by assistance to the training programs of the Bank and modest funding of necessary commodities. Funds will also be provided to the Bank for pre-investment studies, short-term project preparation and supervision assignments intended to accelerate the launching and implementation of loan programs for the poorer countries of Africa in agriculture and rural development.

B. Elements

1. Structure

The project provides for a grant to the AfDB of \$15 million over five years (FY1985 through FY1989) and a contribution in the form of administrative and physical support by the Bank of \$3.301 million. The grant is split between the Section 106 (Special Development Activities--SDA) account, which is for institutional development in the amount of \$7.7 million and the Section 103 (Agriculture, Rural Development and Nutrition--ARDN) account which is for Portfolio development in the amount of \$7.3 million. Obligated funds remaining from the current A.I.D. project with the Bank will carry over into the period of the new project largely to support certain technical assistance positions.

TABLE 1

PROJECT INPUTS BY MAJOR CATEGORY

<u>Selected Development Activities (A.I.D.)</u>	<u>\$ '000's</u>	
<u>Institutional Development</u>		
Long-Term Technical Assistance	3,921	
Short-Term Technical Assistance and Country/Sector Studies	1,374	
Training	1,695	
Commodities	495	
Evaluations	215	
Sub Total	<u>7,700</u>	
<u>Agriculture, Rural Development and Nutrition (A.I.D)</u>		
Portfolio Development		
Pre-Investment Studies	6,496	
TORs and Project Evaluations	696	
Evaluation	108	
Sub Total	<u>7,300</u>	
Total		<u>15,000</u>
<u>Administrative and Physical Support (AfDB)</u>	<u>3,301</u>	
Grand Total		<u>18,301</u>

The project is designed to overlap slightly and follow immediately upon the current A.I.D. project. It will bring to the Bank six long-term general management ("core") advisors/experts, two of whom are already in place under the former project, and five technical project experts (likewise one already in place). The latter phase out after two and the former after three years, as their positions are expected then to be filled by career Bank staff. Short-term technical assistance, intended

to perform certain analytical tasks in policy and project analysis as needs arise, is provided over the full five years of the project. Both types of technical assistance complement that of other donors. (See below, V.C., Management and Administrative Analysis.)

About one third of the budget for training is devoted to support of seminars and other training events for Bank staff. The larger portion supports about one-eighth of the costs of the Bank's planned program of training for member countries' professionals, the rest to be provided by the Bank and other multilateral and bilateral donors. Computer software, training materials and other miscellaneous commodities are provided. There is also provision for additional computer hardware whose choice and application, if any, will be determined after a major review of use and needs. Two evaluations of the SDA component of the project are planned.

The ARDN Portfolio Development component funds eight major pre-investment studies over five years and twelve short-term project preparation and supervision assignments over four years. A separate evaluation of this component is planned for its fourth year.

2. Long-Term Technical Assistance

Unlike the present A.I.D. project, the new project will place considerable emphasis on providing "core" advisory administrative, analytical and management skills essential to institution-building. These six experts will contract with the AIDB for up to three-year periods, at the end of which it is expected that the programs or systems they have helped put in place will function under permanent Bank staff direction. Five two-year technical project specialists will also be provided, whose expertise is crucial to project work, but whose functions cannot currently be fully accomplished by permanent Bank professional staff. These positions, likewise, are expected to be filled by career staff members at the end of the technical assistance phase -- either by new hires or returning or advancing current staff members following a training period. The total cost of long-term technical assistance will be approximately \$3.921 million.

The array of long-term technical assistance indicated in the brief functional descriptions below and more detailed job descriptions in Annex I represents the best assessment possible at present of the Bank's needs appropriate to A.I.D. assistance, as supported by an analysis of current staff. (See V.C., below.) The mix and distribution of expertise is subject to change, however as the project progresses. And, indeed, more precise definition of tasks and qualifications will have to await, in several cases, detailed discussions between the Bank and A.I.D. on a department by department basis taking into account projected work loads and alternative funding sources.

Training Advisor: (June 1984 - Alma Vasquez)

Initial contract 1 year with probable extension of 2 years. Began services under existing A.I.D. project.
Location: Training Center

Prepares a long-term training needs assessment. Advises the Director of the Training Center and the Director of Personnel and Training on training methodology and designs and elaborates programs of training

to be administered by the Training Center for AfDB staff and member country officials or provided for Bank staff in regional or American institutions. Cooperates with the Personnel Department to ensure that professional staff are used appropriately. Limited commodity support will be in place and in use, including some computer software, and possibly terminals or microcomputers for training purposes.

Electronic Data Processing (EDP) Applications Manager: (October 1984, Drury Norris), initial contract 2 years with possible one year extension. First two years of services financed under existing A.I.D. project.

Location: Central Programming Unit

Based on the 1980 report by Coopers & Lybrand, updates program for utilization of the mainframe equipment (IBM, procured with A.I.D. assistance); initiates a program of education of Bank management in computer applications leading to systems analyses and automation of AfDB records/projects/financial management. Reviews the current use of computer hardware and projected demand, completing within two years an extensive analysis of long-term needs which will inform management of available resources and possible additional mainframe or alternative equipment that may be justified.

Organization and Methods Advisor: (June, 1985), initial contract two years with probable one year extension.

Location: Central Programming Unit

Identifies, plans, develops, organizes and maintains the organizational systems of the Bank, based on past and current personnel and career system studies; guides the Bank's management development both as to the portfolio development process and its use of professional resources and the evolution of an internationally competitive career system.

Evaluation Expert: (June, 1985), initial contract two years with probable one year extension.

Location: Planning and Research Department

As advisor to the Chief of the Evaluation Division, assists in designing a short and long-range evaluation program; designs certain evaluations according to a refined evaluation procedure; reviews and comments upon completed evaluations; assists in establishing methodology for the selection of projects for evaluation and post-audit; trains professional staff.

Project Management Expert: (June 1985), initial contract for two years with probable one year extension.

Location: Central Projects Unit

As advisor to the Director of the Central Projects Unit, is responsible for reviewing and modifying all aspects of project management and implementation from the time a project is conceived and subsequently approved by the Bank's Board, including working with the other project divisions to review past and present management practices and clarifying borrower responsibilities. Drawing on the experience of other MDBs and donors, makes changes in the project management manuals, proposes training courses, etc.

Economic Research Coordinator: (June, 1985), initial contract for two years with probable one year extension.

Location: Planning and Research Department

Monitor and strengthens the program of economic research in the Economic Analysis Division of the Planning and Research Department. This includes setting criteria and procedures, identifying topics, overseeing progress, actively participating in selected studies including policy papers, participating with Bank management in policy dialogues with member countries on basic policy issues, and providing appropriate on-the-job training.

Long-Term Technical Project Specialists will be financed by the project for two-year periods and complemented by short-term technical assistance for project-specific work. There is a very great need for specific expertise as the Bank's portfolio expands but fully trained and experienced permanent staff cannot cover all bases. The need is such that provision of these experts cannot await the fully developed recommendations of current personnel and career system studies and their adoption by Bank management. Provision under this project of five specialists is based on needs underscored in the Operational Plan for 1982-1986 and requests there for bilateral grant assistance. (See also V.C. below.)

Recruitment for each advisor will not start until A.I.D. has received assurances from the AfDB that for the particular positions to be filled, one of three conditions prevails:

- a. There is a career staff incumbent for the position (could be in long-term training, thus necessitating a temporary replacement);
- b. There is no incumbent but the AfDB has drawn up a recruiting plan for the position and will be searching actively for a permanent staff member to fill the position; or
- c. There is a need for particular work to be done but there is no justification for establishing a permanent position. The summaries below are somewhat illustrative (with the exception of that for the Financial Analyst, already on board), and subject to adjustment following more detailed discussions with Bank staff.

Financial Analyst: (two-year extension of current contract of Kenneth Erickson financed under existing A.I.D. Project).

Location: Central Projects Unit

Reviews loan proposals as to their financial plans; assists in ensuring quality control for project financial reporting; proposes new techniques in project analysis; takes part in project appraisal, supervision and post-audit missions; assists in conducting training courses; and undertakes special studies. The Bank has requested that, on the basis of his past performance, the incumbent be elevated to the position of Operations Advisor (Financial).

Agronomist: (June, 1985), two year contract.

Location: Agriculture and Rural Development Department

Participates in identification, preparation, appraisal, supervision and post-audit of appropriate agriculture and rural development projects as well as preparation of TORs for studies, project evaluations and project completion reports.

Architect/Engineer: (June, 1985), two year contract.
Location: Agriculture and Rural Development Department

Specifically for rural health and education facilities, participates in project identification, preparation, appraisal, supervision and post-audit as well as preparation of TORs for studies project evaluations and project completion reports.

Water Management/Sanitary Engineer: (June, 1985), two year contract.
Location: Agriculture and Rural Development Department

Concentrating on sanitary engineering in rural development, participates in project identification, preparation, appraisal, supervision and post-audit as well as preparation of TORs for studies, project evaluations and project completion reports.

Transport Economist: (June, 1985), two year contract.
Location: Agriculture and Rural Development Department

Concentrating on transport in rural development, participates in project identification, preparation, appraisal, supervision and post-audit as well as preparation of TORs for studies, project evaluations and project completion reports.

All long-term technical assistance personnel, as with short-term experts described below, will work under A.I.D. approved contracts with the Bank. The costs of recruitment will be eligible for A.I.D. financing. The Bank will provide logistical and office support, as well as pay for residential utilities and furniture. Experience with the current A.I.D. project indicates that it is most effective if such experts are treated as regular members of the Bank staff: that is as opposed to keeping them organizationally apart from the regular staff as resource persons or simply trainers. This will be the case here, so that, as staff members, the experts provided under the A.I.D. project will make both a systematic contribution to Bank work and have a direct role in the transfer of technology and skills to permanent Bank staff.

3. Short-Term Technical Assistance

Short-term technical assistance at a cost of approximately \$1.374 million is intended to complement the work of Bank staff and otherwise recruited consultants in specific project work and policy studies. Analysis of other sources of assistance of this type and the Bank's own resources indicates a relatively modest need for this type of expertise: up to 15 person-months per year over the life of the A.I.D. project. It is expected that, with prior agreement of A.I.D., individuals can be identified and their professional talents brought to bear quickly for special technical work that Bank staff resources cannot be freed or expected to pursue.

A.I.D. financing will be applied according to criteria designed to maximize application in fields of interest to the United States and optimize the use of this resource. These criteria, to be further elaborated in later understandings with the Bank, will emphasize:

- a. The sectors of food production and rural development including health and population planning;
- b. Efforts which seek to promote technology transfer, private sector involvement, and policy dialogue; and
- c. Specifically, in order of importance: country and sector strategy studies, project appraisal, project supervision/evaluation and project post-audits.

4. Training

Under the past, and continuing in the new A.I.D. project, the services of a Training Advisor to the Training Center of the Bank have been provided. A major function is to conduct of an in-depth training needs assessment. It is already apparent, however, that the Bank has made a strong commitment to training, both for its permanent staff and for those client member country officials responsible for managing AfDB Group loans.

As the new A.I.D. project proceeds, adjustments in its plans for use of training resources will be expected to occur on the basis of the completed needs assessment (late in 1985), especially in the case of training for Bank staff. It is possible at this time to program resources tentatively for that and to be more specific about member country training efforts owing to the advanced stage of planning for the latter. Thus the project devotes approximately \$1.695 million to training, divided between training for Bank staff in the form of in-Bank seminars and individual participant training (\$610,000 over five years) and training for member country professionals in Bank-sponsored seminars (\$1.085 million over four years).

Bank Staff Training: - Currently, training programs for AfDB staff consist of courses in four fields: technical and professional development, management development, orientation, and training in a second language (French or English). A.I.D. - financed training seminars will concentrate on strengthening the management and technical skills of AfDB personnel in a systematic fashion, not only through the Bank's Training Center, but also at regional and American institutions. Particular emphasis will be laid on project appraisal techniques and loan management. And advancement of professional staff to higher levels of expertise and responsibility in the Bank (to replace grant-financed temporary technical assistance experts) will be a primary goal. Yearly plans for use of the A.I.D. resource will be agreed between the Bank and A.I.D., bearing the above in mind.

Member Country Training: An innovation of this project of major importance is its emphasis on training for member country professionals who manage Bank projects locally and are responsible for loan performance. While this has been proceeding for some time (about six seminars a year since 1979) and has the support of other donors and international institutions, including cooperation with the Economic

Development Institute (EDI) of the World Bank, the AfDB and A.I.D. both feel that a greater effort in this field is warranted.

The rationale is simple: the comparative poverty of most of the Bank's client countries results in underdeveloped institutions at all levels which, even with the best intentions, put AfDB Group projects and loans in jeopardy. The Bank has responded by elaborating, on the basis of past experience, a plan for 13 member country seminars a year in 1985 and 1986; increased numbers of these, if success obtains, can be expected in out years. These concentrate on project preparation and appraisal, project implementation and management, and high level policy dialogue. Best estimates of support for these indicate contributions from EDI, the U.N. system, IFAD, the member countries themselves and several bilateral donors in addition to the United States, notably Canada, Norway, Sweden and France. (See V.C. below and Annex I for details.)

A.I.D.'s support of this program is planned for the first four years of the project, with contributions to an average of eight seminars per year to which, in most cases, support also comes from sources such as those listed above. Through the involvement of long-term technical assistance experts provided under the A.I.D. project (particularly the Training Advisor and the Project Management and Evaluation Experts), it is expected that the form, content and conduct of these seminars will achieve greater depth and efficacy. Member country participants in past exercises have been surveyed and found to hold the belief that such training has been highly valuable. It should become even more valuable in the future as the training methodology and materials are further refined and made specific to paramount problems facing the Bank and its poorest clients.

5. Commodities

To support the above activities a budget for commodity procurement of \$495,000 has been provided in the project, largely to be expended in the first three years. This is divided between computer software and associated materials and training materials, on the one hand, and computer hardware on the other. More detailed needs for the former will emerge from the training and electronic data processing plans to be prepared by A.I.D.-financed long-term "core" advisors.

The Budget sets aside \$250,000 for procurement of additional IBM large capacity computer hardware to complement that already provided from A.I.D. and Bank sources. It is by no means clear at this point that such additional equipment will be necessary in this decade: current facilities are somewhat underutilized and probably put to inefficient use. On the other hand, projections of growth in Bank lending and, associated with it, project appraisal, supervision and post-audit efforts, suggest that greater data processing capacity in line with that of other regional multilateral development banks is a need whose time will come.

A primary task of the project-provided EDP Applications Manager will be the comprehensive assessment of data processing equipment use and efficiency and a projection of future needs. A preliminary version of this study should be available to Bank and A.I.D. management in CY1986, permitting commencement of procurement of additional hardware should that be warranted. If by the end of the third year of the project, and as informed by the then completed mid-term project evaluation, it is clear

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Architect/Engineer: (June, 1985), two year contract.

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Specifically for rural health and education facilities, participates in project identification, preparation, appraisal, supervision and post-audit as well as preparation of TORs for studies project evaluations and project completion reports.

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Concentrating on transport in rural development, participates in project identification, preparation, appraisal, supervision and post-audit as well as preparation of TORs for studies, project evaluations and project completion reports.

All long-term technical assistance personnel, as with short-term experts described below, will work under A.I.D. approved contracts with the Bank. The costs of recruitment will be eligible for A.I.D. financing. The Bank will provide logistical and office support, as well as pay for residential utilities and furniture. Experience with the current A.I.D. project indicates that it is most effective if such experts are treated as regular members of the Bank staff: that is as opposed to keeping them organizationally apart from the regular staff as resource persons or simply trainers. This will be the case here, so that, as staff members, the experts provided under the A.I.D. project will make both a systematic contribution to Bank work and have a direct role in the transfer of technology and skills to permanent Bank staff.

3. Short-Term Technical Assistance

Short-term technical assistance at a cost of approximately \$1.374 million is intended to complement the work of Bank staff and otherwise recruited consultants in specific project work and policy studies. Analysis of other sources of assistance of this type and the Bank's own resources indicates a relatively modest need for this type of expertise: up to 15 person-months per year over the life of the A.I.D. project. It is expected that, with prior agreement of A.I.D., individuals can be identified and their professional talents brought to bear quickly for special technical work that Bank staff resources cannot be freed or expected to pursue.

The three elements of this second component of the overall project are briefly described below. All explicitly are aimed at portfolio development in agriculture and rural development for the two poorest categories of Bank member countries. Contracting will be conducted under A.I.D. approved procedures and limited to code 941 source/origin suppliers.

Pre-Investment Studies - The current projection of portfolio development by the AfDB Group indicates an annual increase in loan volume of 14 percent and a need for 195 pre-investment studies in the period 1985-1989, leading to 271 appraisals. That reflects a build-up from 36 to 41 studies per year. This project will finance two annually for the first three years and one annually for the final two years of the project's life. The average cost of pre-investment, including some engineering, studies for complex agricultural and rural development projects in the poorer AfDB Group's member countries is estimated to be greater than \$600,000 in 1984 dollars. To the extent lower costs can be attained, A.I.D. contributions to additional studies can be programmed.

As with other inputs of this project, plans and contracts for studies to be wholly or in part financed by A.I.D. will be approved by A.I.D. in advance and the results subject to monitoring and evaluation. It is assumed that most other bilateral grant donors to the AfDB will continue their support of efforts such as these, as well as pick up an increasing share of study requirements through 1989. (See V.C. below.)

Project Preparation and Supervision Assignments - Primarily to support the development of the above pre-investment studies, the project will finance the creation of project preparation documents, terms of reference and other preliminary materials, and expert participation in field missions for project appraisal, supervision and evaluation. This is to ensure that such activities are undertaken in a timely and thorough fashion and also to facilitate access to contracting by American, especially disadvantaged American firms and institutions.

It is expected that as the A.I.D. project progresses Bank staff will gain considerable experience in creating and reviewing TORs, specifically, and the need for this type of assistance will taper off. It is further intended that the financing by A.I.D. of roughly two TORs per year for four years will result in an enhanced attention to socio-cultural and policy concerns in project design -- which is an A.I.D. objective in this project component.

Evaluation of Portfolio Development Component - Finally, the project calls for a separate evaluation of the ARDN-financed portfolio development component. This is scheduled for the project's fourth year and should go beyond questions of implementation effectiveness to a systematic analysis of the Bank's identification and specification of agriculture and rural development projects. It will complement training and technical assistance devoted elsewhere in the project to project implementation, and leave by the end of the project a basis for modifying as necessary the Bank's loan appraisal system just when lending may have to take another quantum jump in volume to meet Africa's needs.

C. Results and Issues

The Logical Framework (Annex B) enumerates the end-of-project status and outputs expected of this project. While only estimates and difficult to measure, the across-the-board improvements in Bank operations outlined there are worthy targets and ones wholly within the ability of the Bank to achieve. The basic objective of institutional development to a point near self-sufficiency in management, and accelerated and improved portfolio development, however, are reducible to individual sets of accomplishments — of specific technical assistance and training efforts, production of studies and reports, and improvement of systems. The proximity of REDSO/WCA's project management to the Bank and the close and friendly relations the two have had over the years give added confidence that in all particulars implementation will be monitored and problems identified and corrected efficiently.

Nevertheless, the project is not without risk. Issues perhaps incompletely resolvable at present, but which should be noted and given particular attention during project implementation, are the following:

Flexibility - Despite every effort during design to achieve concreteness of input/output specification on the basis of various, but especially administrative and management analyses of the Bank, a project of this magnitude and complexity cannot be expected to follow precisely the plan described here. Nor should it, given imponderables of the future. A degree of latitude will be necessary in applying project inputs. (In budget terms that will be a permissible shift among major budget lines, e.g. Long-Term TA, Training, Pre-Investment studies, of 15 percent.) And within major project elements, the mix, for example of long-term technical assistance types and durations, may have to change according to experience with procurement and performance.

U.S. Interests - The United States is serious, as a non-regional member and bilateral grant donor, about growth in the Bank's ability to serve its poorer member countries. This translates into a need during implementation for thorough attention to the management by the Bank of specific inputs to achieve desired outputs, for example viable long-term training, data processing and evaluation plans, fully articulated project management manuals, and effective training and pre-investment studies which result in successful loans. Likewise, the Bank's laudable intention to engage clients in meaningful policy dialogue should be supported continuously. Without an A.I.D. commitment to working constantly with the Bank in these and other regards, the project could fail.

Movement of the Bank to Self-Sufficiency - The magnitude and duration of this project are predicated on the view that by the end of the decade, having received bilateral assistance from the United States and other donors of this type, the AfDB will have considerably matured as an institution while growing apace as a source of development finance. This project may be too optimistic in this regard. But the Bank's intentions and plans to improve its income stream and establish a career system of excellence seem promising at this point. Again, A.I.D.'s cooperation with the Bank in Abidjan and monitoring of its development should play an important part in assuring the necessary progress and discipline.

25

II. COST ESTIMATES AND FINANCIAL PLAN

Table 2, below, indicates the detailed financial inputs to the project, all in foreign exchange, over its five-year life from A.I.D.'s SDA and ARDN accounts. Table 3 illustrates the expected obligations and expenditures by fiscal year (for obligations) and calendar year (for expenditures, as the project is expected to begin in January, 1985). It also indicates the expected value of support from the AfDB for project activities, which is further detailed in Table 4. The total project cost of \$18.301 million in foreign exchange thus is divided among SDA, \$7.7 million, ARDN, \$7.3 million, and Bank in-kind contribution of \$3.301 million.

The yearly estimates in Table 2 for major budget lines and sub-elements thereof contain a built-in annual compound 10 percent inflation factor. While estimates may be high in some cases, it has been felt to be prudent to estimate at the high end of the scale. These estimates include the cost of recruitment. Savings can be passed on to other activities or activities extended, as monitoring and evaluation indicate during project implementation. A 15 percent shift among major budget lines (indicated by capital letters) will be permitted during implementation without recourse to project amendment.

Table 2 also shows contributions to the Long-Term Technical Assistance Budget from the current A.I.D. project. REDSO/WCA's intention is to draw down that project as rapidly as possible in order to avoid confusion during implementation of the new one. All budget lines of the earlier project should be virtually exhausted by early 1985; although its Terminal Date for Disbursement is June 26, 1986.

The funds employed to finance this project are not generally applicable to Sahelian countries, given the FAA Section 121 appropriation. But as the Bank deals with its Sahel members to a significant degree, it is not felt that exclusion of them from the benefits of this project would serve United States interests. Nor is it practical to segregate A.I.D. funds for Bank operations away from Sahel country operations, or, at this point, to seek special Sahel funds for particular elements of this project. Therefore, a waiver will be sought to permit application of the SDA and ARDN funds in this project to the Sahel.

From the A.I.D. standpoint, financial management of the project will be the responsibility of the West African Accounting Center, a part of REDSO/WCA, the overall implementor. Experience with the current project has been good, in that records and accountability on both the WAAC and Bank sides have been clear, up-to-date and sufficient for audit and general monitoring purposes. The provision for yearly financial assessment by an accredited public accounting firm meets current A.I.D. stipulations.

TABLE 2

Cost Estimates of A.I.D. Inputs

(\$000's)

<u>SDA</u>	<u>CY85</u>	<u>CY86</u>	<u>CY87</u>	<u>CY88</u>	<u>CY89</u>	<u>Total</u>
<u>A. Long-Term Technical Assistance</u>						
1. Training Advisor (core)	150	165	181	-	-	496
2. FDP Applications Manager (core)	(*)	(*)	181	-	-	181
3. Organization & Methods Advisor (core)	150	165	181	-	-	496
4. Evaluation Expert (core)	150	165	181	-	-	496
5. Project Management Expert (core)	150	165	181	-	-	496
6. Economic Res. Coord. (core)	150	165	181	-	-	496
7. Financial Analyst	(*)	(*)	-	-	-	(*)
8. Agronomist	150	165	-	-	-	315
9. Architect/Engineer	150	165	-	-	-	315
10. Water Management(Sanitary) Engineer	150	165	-	-	-	315
11. Transport Engineer	150	165	-	-	-	315
Sub sub-total	<u>1,350</u>	<u>1,485</u>	<u>1,086</u>	-	-	<u>3,921</u>
<u>B. Short-term Technical Assistance</u>						
15 pm/yr - Project work & Studies @ \$15,000/mo.	<u>225</u>	<u>248</u>	<u>272</u>	<u>300</u>	<u>329</u>	<u>1,374</u>
<u>C. Training</u>						
1. Bank Staff Seminars & Participant Training	100	110	121	133	146	610
2. Member Country Institutions' staff Contribution to 8 seminars/yr.	234	257	283	311	-	1,085
Sub sub-total	<u>334</u>	<u>367</u>	<u>404</u>	<u>444</u>	<u>146</u>	<u>1,695</u>
<u>D. Commodities</u>						
1. Computer Software & Materials	45	75	55	-	-	175
2. Training Materials	10	30	20	10	-	70
3. Computer Hardware	-	-	250	-	-	250
Sub sub-total	<u>55</u>	<u>105</u>	<u>325</u>	<u>10</u>	-	<u>495</u>
<u>E. Evaluations</u>						
1. Mid-Term and Final	-	-	80	-	120	200
2. Financial Assessment	3	3	3	3	3	15
Sub sub-total	<u>3</u>	<u>3</u>	<u>83</u>	<u>3</u>	<u>123</u>	<u>215</u>
SUB-TOTAL	<u>1,967</u>	<u>2,208</u>	<u>2,170</u>	<u>757</u>	<u>598</u>	<u>7,700</u>
<u>ARDN</u>						
<u>F. Pre-Investment Studies</u>						
1. 2/yr	1,380	1,518	1,670	-	-	4,568
2. 1/yr	-	-	-	918	1,010	1,928
Sub sub-total	<u>1,380</u>	<u>1,518</u>	<u>1,670</u>	<u>918</u>	<u>1,010</u>	<u>6,496</u>
<u>G. Twelve Short-Term Project Preparation/Supervision Assignments</u>						
	<u>150</u>	<u>165</u>	<u>181</u>	<u>200</u>	-	<u>696</u>
<u>H. Evaluation</u>						
	-	-	-	<u>108</u>	-	<u>108</u>
SUB-TOTAL	<u>1,530</u>	<u>1,683</u>	<u>1,851</u>	<u>1,226</u>	<u>1,010</u>	<u>7,300</u>
GRAND TOTAL	<u>3,497</u>	<u>3,891</u>	<u>4,021</u>	<u>1,983</u>	<u>1,608</u>	<u>15,000</u>

* Funded by earlier A.I.D. project.

TABLE 3

Summary of Total Project Funding

(\$000's)

	<u>FY85</u>	<u>CY85</u>	<u>FY86</u>	<u>CY86</u>	<u>FY87</u>	<u>CY87</u>	<u>FY88</u>	<u>CY88</u>	<u>FY89</u>	<u>CY89</u>	<u>Total</u>
<u>A.I.D.</u>											
1. SDA											
Obligations	2,750		2,000		2,000		950		-		7,700
Expenditures		1,967		2,208		2,170		757		598	7,700
2. ARDN											
Obligations	1,000		2,000		1,500		1,500		1,300		7,300
Expenditures		1,530		1,683		1,851		1,226		1,010	7,300
<u>AfDB</u>											
1. Value of Support											3,301
<u>Total Expenditures</u>											<u>18,301</u>

TABLE 4

Calculation of Estimated AfDB Contribution to Project

1. Support of Long-Term Experts.....	\$2,233,073
of which: a. Travel, 8 trips x 11 experts x \$1,500.....	\$ 132,000
Per diem, 8x11x15 days x \$75.....	99,000
Other.....	38,000
b. Household utilities @ \$436,420 per yr for 11 experts x 2-1/2 yrs.....	1,216,050
c. Furniture \$5,000 x 11.....	55,000
d. Other support (overhead @ 45%).....	693,023
2. Support to Training Events.....	\$ 309,695
of which: a. Staff, 60 pm @ \$2,000/mo.....	\$ 120,000
Short-term course officials, 10 mo @ \$2,000.....	20,000
Per diem supplement.....	900
Overhead (5%).....	7,045
b. Training Center Operations 5% overhead x \$1,695,000.....	84,750
c. Training materials.....	7,000
d. Short-term experts/consultants..	70,000
3. Pre-Investment Studies/TORs/Evaluations.....	\$ 730,000
Overhead 10% x \$7.3 million	
4. Financial Management	28,000
TOTAL.....	\$3,300,768

NOTE: Because this is a regional project, and there is no host country as such, the AfDB is not obliged to make a financial contribution to the project. The above is for illustrative purposes only. And although this is a serious estimation, it would not be practical under current bookkeeping practices of the Bank to isolate precisely these expenditures and contributions attributable solely to A.I.D.-financed activities.

III. IMPLEMENTATION PLAN

The project will be implemented so far as A.I.D. is concerned by the Project Development and Regional Implementation Directorate (PDRI) of REDSO/WCA in Abidjan and financially managed by the West Africa Accounting Center (WAAC) of REDSO/WCA. Day-to-day operations will be overseen by one or more Project Development Officers and one or more Project Assistants on the staff of PDRI. The AfDB's Cooperation Department is responsible for coordinating relations with bilateral technical assistance donors and will have overall responsibility in the Bank for implementation of the project. As implementation experience under the current A.I.D. project has been satisfactory, management modes established for that will be applied to this project.

Specifically, the PDRI staff assigned to this project will be in regular, personal contact with their counterparts in the Bank and with the technical assistance personnel and consultants provided under the project. All procurement of goods and services will continue to be done under A.I.D.'s host country contracting procedures, with the Bank acting in the role of the host country. Source and origin for all goods and services will be found in A.I.D. Code 941 countries, i.e., the United States and developing world, except that the source and origin of long-term technical experts, and commodities (except for shelf items) will be expected to be Code 000 (the United States). No procurement of vehicles, pharmaceuticals, agricultural commodities or pesticides is contemplated.

Long-term Technical Assistance Experts, with the exception of the Training Advisor, EDP Applications Manager, and Financial Analyst, who are already contracted for and at work under the current project, are all expected to be recruited to begin work in the Bank in June, 1985. This recruitment will follow established practice whereby detailed scopes of work are cooperatively established by Bank and REDSO/WCA staff, the Bank recruits (it may use project funds to finance an executive search), and REDSO/WCA and the Bank jointly choose the candidates according to standard ranking procedures. The Bank then negotiates with A.I.D.'s approval, a contract for each following A.I.D. host country contracting regulations.

Procurement of Short-term Technical Assistance, Commodities, and Evaluation Assistance, and the financing of Training events will proceed on an as-required basis, with the Bank proposing application of A.I.D. funds to particular uses on the basis of a previously approved detailed plan, and REDSO/WCA approving appropriate expenditures. On receipt of vouchers, WAAC, with Project Officer administrative approval, will disburse for previously approved expenditures or commitments.

Likewise, in the case of finance for Pre-investment Studies, and project preparation and supervision assignments supported by the project will proceed according to an approved annual plan and will be considered on an individual basis. During the past two years of the present project, A.I.D. proposed and the AfDB agreed to pre-qualify U.S. and Code 941 firms interested in doing TOR's for AfDB studies. As planned, these lists of proposed pre-qualified firms and individuals have been made and accepted; African-owned firms may be used. Moreover, the AfDB can now proceed to hire contractors for individual jobs costing \$100,000 or less

without formal advertising. This streamlining of the contracting process is essential to achieve the level of inputs mandated under the project. It will also reduce A.I.D.'s management effort.

In all cases, A.I.D. procurement regulations will be followed, for example, as suggested above, with respect to requirements for formal and informal solicitation and advertisement. The Bank is now fully familiar with these procedures, and no difficulty is anticipated. Procurement of commodities will follow the precepts of A.I.D. Handbook 11.

IV. MONITORING AND EVALUATION PLAN

Monitoring of the project is virtually a day-to-day function of the Project Officers and Project Assistants assigned to the project in REDSO/WCA/PDRI. It concentrates on efficient delivery of project inputs, timely financial reporting, and the production of specific outputs, such as plans, systems improvements, studies and training events. Monitoring functions of A.I.D. overlap with implementation functions and involve cooperation with Bank officials in specification of modes and types of project inputs as well as checking their efficacy and relevance to overall plans. Annual reports are received from the Bank, along with continuously up-dated financial data; REDSO/WCA/PDRI prepares periodic project implementation reports according to the A.I.D. format and schedule; and WAAC prepares quarterly financial reports.

Three evaluations are provided for in this project: a mid-term and final evaluation of the institution-building component, a final evaluation of the entire project, and a later-term evaluation of the portfolio development component. Details follow.

Mid-Term Evaluation of Institution-Building Component - This will take place about 24 months following arrival of the last of the long-term technical assistance experts, i.e., about July, 1986. It will permit A.I.D. and the Bank to analyze and measure the progress made toward achieving the project's stated output targets, to determine if the output targets continue to be realistic or need to be revised, and to ascertain if the project's purpose continues to be relevant to the Bank's needs and the interests of the United States. This evaluation, like the other two, will be undertaken by a team composed of representatives from REDSO/WCA, the Bank, and with the assistance of outside consultants.

Based on the results of the evaluation, adjustments will be made as necessary and agreed to by the concerned parties, with respect to the basic design and the implementation of the project during its remaining years. The evaluation will cover all aspects of the institutional development component, including the basic rationale, linkages, implementation, and finance. It will review actual performance to date, assess the project's environment, including other donor assistance, to determine if the existing activity represents an efficient use of A.I.D. funds. The evaluation findings, conclusions, and recommendations will be presented to A.I.D. and the Bank for decisions regarding changes in strategy, direction and objectives.

End of Project Evaluation of Entire Project - This evaluation will present a comprehensive technical, financial, social, and economic analysis of the project, weighing project objectives against the imminent end-of-project conditions. It will draw upon the results of the later-term evaluation of the portfolio development component (discussed below) to draw an overall picture of project operations and likely achievements, then assessing the replicability of the project and/or components and elements thereof, and making recommendations about future actions. Most important will be a global review of the evolution of the AfDB to date in terms of this project's assumptions concerning growth in lending and administrative and technical self-sufficiency, and regarding the impact of this project on that.

Later-Term Evaluation of Portfolio Development Component - This evaluation should take place during the project's fourth year and assess the effectiveness of project assistance to portfolio development through finance of pre-investment studies, and project preparation and supervision assignments. It will have an additional aim, however, that should strengthen the project as a whole. That is a global review of the AfDB's system for project identification, specification, appraisal and approval of agriculture and rural development projects.

Whereas the institution-building component of the project places more emphases on general management improvement and project implementation as well as specific analytical disciplines, the portfolio development component finances specific project development activities. The purpose of this review will be to look more broadly at the standards and practices of such activities (especially appraisal), relating to agriculture and rural development, for three purposes: to provide a context for assessment of the effectiveness of A.I.D. assistance here; to identify needs for improvement in this sphere, streamlining presumably, as the Bank's portfolio in this sector grows in the 1990's; and to determine if this particular type of grant assistance should be continued.

V. CONCLUSIONS OF ANALYSES

A. Economic Analysis

The African Development Bank is one of Africa's key development institutions and has annual project funding soon to exceed US\$1.0 billion. The Bank provides for "basic human needs" by directing projects disproportionately toward Africa's poorest countries and the most disadvantaged inhabitants within each. Its rapid growth and relative youth, however, have led to institutional and staffing problems that have left the Bank behind its counterparts in other regions in terms of management efficiency and overall professional and technical expertise.

This project directly addresses this problem by providing such services as additional professional expertise and personnel training to improve management efficiency and enable better design, implementation and evaluation of Bank projects. A more professional and competent staff can provide additional leverage in improving the often dysfunctional economic policies in member countries. The project is consistent with U.S. administration guidelines and should lead to political and strategic benefits as important as the economic ones.

The project's social rate of return and benefit-cost ratio are expected to be high because even small efficiency gains for this large and important institution greatly outweigh the relatively small project costs of \$15.0 million. A more detailed economic discussion is contained in Annex E.

B. Financial Analysis

In mid-1983, at the request of the AfDB, the U.S. firm of Kidder, Peabody & Co. (KP) reviewed the Bank's financial and operational performance to date, as well as its proposed financial policies for the period 1982-86. The purpose of this review was to assess the AfDB's chances of obtaining a "Triple-A" credit rating from one of the two primary international rating agencies. Such a credit rating (which is currently carried by the World Bank and by all other regional MDBs) would allow the AfDB to gain access to the long-term lending (bond) market, particularly in the U.S. Such access would substantially lower the AfDB's long-term cost of capital and thus would result in considerable overall savings for the Bank's borrowing members.

Kidder, Peabody concluded that, based on its past performance and its proposed policies for the period through 1986 (as outlined in the AfDB's Operational Program for 1982-1986) the AfDB had an excellent chance of obtaining the desired "Triple-A" rating. Now, as reported by Kidder, Peabody, "on the basis of the Bank's operating record, its conservative borrowing and liquidity policies, coupled with the increased financial strength of its industrialized members' capital subscriptions, the African Development Bank's outstanding senior securities were rated AAA by Fitch Investors Services, Aaa by Moody's and AA by Standard and Poor's".* Thus the Bank's cost for capital should diminish significantly.

* Corporate Finance Department, African Development Bank, May, 1984, p.v.

The primary indicators of credit worthiness of a financial institution are the institution's financial ratios -- its relative indicators of profitability, liquidity, capital coverage (and structure) and asset risk. KP provided an in-depth analysis of the AfDB's indicators and compared them to the indicators of the other MDB's, that is, to those of the World Bank, the European Investment Bank, the Inter-American Development Bank (IADB) and the Asian Development Bank (ADB). In its comparative analysis of the AfDB's most critical liquidity/capital ratios (total loans/total assets, equity/total loans outstanding, equity/total assets, long-term debt/total capitalization, total subscriptions + reserves/net funded debt), KP found that in virtually every case, the AfDB maintains ratios that compare favorably with those of other MDBs.

KP mentioned two fields in which the AfDB's financial performance has been inferior -- net earning and funded debt coverage. Although the AfDB has never lost money, it recently experienced a decline in net earnings during a time when earnings of other MDBs increased. This occurred because, by policy, the AfDB limited its total income to an amount which would cover expenses but provide only a minimum level of net income. Primary emphasis was put on keeping the lending rates as low as possible to its borrowing member countries.

In recognition of the importance of thoroughly covering borrowing costs, the AfDB has revised this policy and increased its lending rate from 7.0 percent to 9.75 percent for ordinary loans. The AfDB lines of credit to development banks were increased from 7.5 percent to 10.0 percent and its commitment fee from 0.75 percent to 1.0 percent. These increases, although substantial, resulted in interest rate levels which are still below those of other MDBs. But they have been reflected positively on net income in 1983 and are expected to have an increasingly favorable effect. The AfDB intends to review its lending-rate policy at least once a year and will adjust it to provide a suitable spread over its cost of funds.

At the end of its memorandum, KP opined: "should the AfDB adopt the proposals recommended in its Operational Program for the period 1982-1986 and the proposals of Kidder, Peabody, we feel confident that the AfDB will clearly gain deserved recognition as one of the premier credits in the world while more meaningfully shaping African economic development". (See Annex F for a more detailed discussion.)

C. Management and Administrative Analysis

1. General

Management and administration at the AfDB have been evaluated from two viewpoints. First, in 1980, and then in 1983, independent, outside evaluations were made of the AfDB's ability to manage A.I.D. grant projects. Experience with the previous project indicates that the AfDB is increasingly able to contract for, and manage effectively, A.I.D. resources. (See Annexes H, J and L for a more detailed discussion of the evaluations and their results.)

The overall management and administration of the AfDB were also evaluated to assess the "efficiency" of the organization. A large number of studies made by numerous consultants indicate that the AfDB continues

to have major problems. The most commonly discussed problems include organizational indiscipline, inadequate coordination and teamwork, and insufficient training opportunities, information systems, planning and financial management. (See Annex L.) To keep these problems in perspective, it is important to recognize that the AfDB has not been able to draw on as large a pool of talented and experienced managers and technical skills in its region as the IADB and ADB. Also, the AfDB must cope with more diversity — in language, ethnic identity, colonial heritage and policies affecting development — than that in any other developing area of the world.

Certain AfDB policies also contribute to administrative and management problems. The AfDB has not yet created a career system for a number of reasons, including: (a) a concern not to burden the AfDB's finances with excessive personnel costs; (b) the feeling that a career system would create a sort of "elite" in a continent with massive problems of poverty; and (c) the belief that an overly generous compensation system for AfDB employees would drain administrative talent from member countries, thus further unbalancing the administrative system continent-wide.

However valid such concerns are, the suspicion remains that the lack of a career system — or adequate total incentives — has restricted the AfDB from competing in the marketplace for the quality of rare professional talent it needs to fulfill its mission to its member countries. This is a timely issue now that the AfDB has a number of non-regional members and hence a greater interest in recruiting professional staff members from these countries. The AfDB must continue to move to resolve this to be able to cope with management and administrative problems in a satisfactory way as its lending program grows.

Steady improvement has been made with respect to the above problems. And the AfDB Management remains aware of and keenly interested in finding solutions to management difficulties — a prerequisite for any real progress. The AfDB has turned to the U.S. for assistance not only because the United States has proved to be a dependable partner in the past, but also because it believes the U.S. has a comparative advantage in the fields for which it seeks this assistance.

2. AfDB Management and Administration as Treated by This Project

Given the above, what the Bank seeks and A.I.D. wishes to support with grant assistance to the end of this decade are additional resources directed to staff and systems enhancement and portfolio development, as demands for services and transfers rapidly increase. Analyses of past and projected work loads and other bilateral assistance, of experience with A.I.D. assistance to date, and of the Bank's organization (see Annexes H-Q) have informed the design of the project. The tables in Annex I summarize many of the results.

Projected AfDB Group portfolio development from 1985 to 1989 (Tables I-1, I-2) will require the appraisal of 271 projects on the basis of 195 pre-investment studies, 159 engineering designs and 369 project identification missions. The cost alone of pre-investment studies financed by the Bank/Fund in 1982 through 1984 is put at over \$36 million

and that projected for 1985 is \$23 million. A.I.D.'s contribution of \$7.3 million over five years is an important but modest contribution to meeting these Bank needs.

While the number of new projects each year should stabilize, average project size will increase. The Operational Program for 1982-1986 projects resource requirements and lending for that period (Table I-3); annual Bank lending almost triples and AfDF/NTF lending almost doubles. Growth is expected to continue, with a further doubling of annual lending volume by the Bank Group entirely possible over the next five years.

This expansion of the portfolio cannot occur without an increasing investment by the Bank Group in the technical work that makes loans possible. Table I-5 indicates the requirement in 1982-1986 for technical assistance resources and their planned disposition. For the period, \$219 million will have been needed, of which bilateral assistance has been sought in the amount of \$65 million. For the first two years of this project, more than \$35 million in bilateral grants will be needed. This project's contribution for that period of \$6.52 million is less than 19 percent. And that compares to the U.S. contribution to total bilateral assistance through the end of 1983 of about 30 percent (Table I-6).

Bilateral technical assistance grant requirements in 1985-1986, summarized in Table 5, below, are heavily (80 percent) for pre-investment studies, whose average costs in 1983 were estimated to be just over \$600,000 each. TORs, of course cost less. A set of 16 A.I.D.-financed pre-investment studies and TORs undertaken between 1971 and 1981 at a cost of \$3.427 million, however, resulted in Bank and Fund lending of about \$120 million (Table I-7). So this is an efficient use of resources. The contribution of the A.I.D. project to pre-investment studies per se represents ten percent of the Bank's needs in 1985-1986.

For the same period, the A.I.D. contribution for development strategies and sector studies, consultants, management improvement and training cover a considerably higher proportion of projected needs (42 to 62 percent). This is predicated on the notion that the United States has a comparative advantage in certain aspects of technical assistance and training assistance.

It should be noted, however, that even in 1985 and 1986, and especially afterward when the successor Operational Program comes into effect, costs for these types of activities may be significantly higher than projected three years ago. The training costs indicated in Tables 5 and I-5, for example, do not take into account the full range of member country training seminars now planned even for 1985 and 1986 (see Table I-9). These will cost \$4.2 million to which the A.I.D. project would contribute \$491,000 (12 percent), and other donors and the Bank Group \$3.7 million. And as the Bank is expected increasingly to emphasize country development strategies and sector studies as a means to improve policy dialogue with its clients, costs there as seen in 1981 are probably underestimated substantially.

TABLE 5

AFDB GROUP BILATERAL TECHNICAL ASSISTANCE GRANT REQUIREMENTSAND PROJECT CONTRIBUTION, 1985-1986 (\$000's)

	<u>GROUP REQUIREMENTS (GR)</u>			<u>A.I.D. PROJECT INPUTS</u>		
	1985 (%)	1986 (%)	Total (%)	1985 (% of GR)	1986 (% of GR)	Total (% of GR)
Pre-Investment Studies	12,480 (78)	15,840 (81)	28,320 (80)	1,380 (11)	1,485 (9)	2,865 (10)
Development Strategies Sector Studies ^a	380 (2)	380 (2)	760 (2)	225 (59)	248 (45)	473
Consultants ^b	1,460 (9)	1,604 (8)	3,064 (9)	600 (41)	660 (41)	1,260
Management Improvement ^c	1,064 (7)	1,117 (6)	2,181 (6)	600 (56)	660 (59)	1,260
Training	576 (9)	576 (3)	1,152 (3)	334 (58)	367 (64)	701 (61)
TOTAL	15,960 (100)	19,517 (100)	35,477 (100)	3,139	3,420	6,559

- a. A.I.D. input is short-term T.A.
b. A.I.D. input is non "Core" experts
c. A.I.D. input is "Core" experts

The provision of long-term technical assistance under the project has been further analyzed in terms of its placement so that maximum impact will occur, redundancy is avoided, and evolution of the career professional system is not impeded. Table I-8 shows, by department or unit of the Bank (see also Bank Organization Chart, Table I-7), the numbers and functions of permanent professionals and the current technical assistance positions programmed — as related to project inputs. Of the total positions in the five units or departments to which A.I.D. technical assistance is (through the preceding project) or will be provided, 29 (or 23 percent) are currently vacant, including 20 technical assistance slots.

The project will provide eleven long-term technical assistance experts: six "core" management advisors for three years each and five technical project professionals for two years. It is expected that, by the time of the mid-term evaluation of the project's institution-building component, the personnel needs, position classification, career system and other assessments and plans now in progress will have led to significant refinement of the Bank's staffing pattern. Further, the need for professional staff provided through grant technical assistance is expected to decline precipitously as permanent staff positions are created and filled. Both the pattern and duration of long-term technical assistance provided by this project appear sound.

D. Social Analysis

Although many countries in the third world have made progress during recent decades, the African continent has lagged behind. As fully discussed in the social analysis (Annex G), a comparison of the social/economic indicators for the worlds' developing regions shows a bleak picture for Africa.

Organizations such as the African Development Bank can have a great impact in reversing the deteriorating situation on the continent. This project will provide assistance in several crucial and interrelated fields, and by strengthening the Bank's institutional capacity should help it to serve better its regional members. The project's goals are consistent with those of the Bank Group and the United States Agency for International Development. For example, the project places emphasis on agriculture, rural development including health and education, and institution building activities within the Bank. Like A.I.D., the Bank has a strong commitment to help the poorest countries.

Women in Development: The AfDB's female staff numbers 196, or 28.4 per cent of the total (excluding manual workers). The situation in 1983 compared favorably to the one prevailing at the end of 1978. Indeed, during the 1978-83 period, the number of female staff rose by 125.3 percent whereas the male staff increased by 64.1 percent and the entire staff by 77.8 percent. This clearly reflects the desire of Management to pay special attention to the recruitment of women at all levels, particularly the professional one.

E. Environmental Analysis

The project will provide technical assistance, training, assistance for management improvement, data processing equipment, and training materials; and it will finance studies. Therefore it should be

categorically excluded from the environmental procedures required in 22 CFR Part 216. (See Initial Environmental Examination.) Nevertheless, A.I.D.'s project management will assure a proper consideration of environmental impact in any Bank project whose development or implementation is assisted under this project. The Regional Environmental Advisor of REDSO/WCA will participate in project implementation.

VI. CONDITIONS

The Project's Grant Agreement shall be subject to the following major conditions, covenant, and understanding, together with other such terms and conditions as A.I.D. and the AfDB deem appropriate, as well as the standard A.I.D. conditions.

Conditions Precedent to Disbursement

1. Prior to disbursement for long-term technical assistance, the AfDB will have presented to A.I.D. and A.I.D. will have approved a detailed justification for filling each position through use of this project's resources, i.e. an explanation of need for external assistance in each particular case, a detailed scope of work, evidence of appropriate market search, evidence of application of appropriate decision criteria, and a plan for filling or elimination of the position, as appropriate, at the termination of the A.I.D. financing.

2. Prior to disbursement of funds for training in each project year, the AfDB will have presented to A.I.D. and A.I.D. will have approved an annual training plan.

3. Prior to disbursement of funds for computer hardware, the AfDB will have presented to A.I.D. and A.I.D. will have approved an analysis of the Bank's need for such additional equipment, a plan for its use, and a procurement plan.

4. Prior to disbursement of funds for each pre-investment study, project preparation, supervision and evaluation assignment and other such activities, the AfDB will have presented to A.I.D. and A.I.D. will have approved a justification and procurement plan, and the AfDB and A.I.D. will have accepted the final product.

Covenant and Understanding

The AfDB shall covenant that it will make available the necessary resources for support of facilities, office space, transportation, household amenities and other such needs of project-provided technical assistance, training assistance and studies assistance as may be required for successful operation of the project.

It is understood that the AfDB will continue development of a long-range training plan and establishment and operation of a career system for professionals, including recruitment of non-regional member nationals.

Negotiating Status

The Project's design, commitments, timing and other details have been discussed at length with the principal parties at the African Development Bank. Agreement has been reached on all components and implementation arrangements. The Bank is prepared to act quickly in initiating project actions following execution of the Grant Agreement.