

AFRICAN DEVELOPMENT FUND



UPDATE ON THE IMPLEMENTATION OF THE ADF-X POLICY MATRIX 2005-2006

**ADF-X MID TERM REVIEW
7 – 8 DECEMBER 2006
The Hague, Netherlands**

OPERATIONS POLICY AND COMPLIANCE DEPARTMENT

ADF-X POLICY IMPLEMENTATION MATRIX (PIM)
2005 – 2007

1. During the negotiations of the Tenth General Replenishment of the Resources of the African Development Fund (ADF-X), Deputies agreed to hold a Mid-Term Review, not later than 18 months after the effectiveness of the replenishment, and before release of the last tranche. The Mid-Term Review was to assess the implementation of the Fund operations, including actions presented in the ADF-X Policy Implementation Matrix.

2. It will be recalled that, prior to the completion of the consultations for the Tenth Replenishment of the African Development Fund, Management was requested to prepare an Action Plan aimed at improving the implementation of ADF Operations during the ADF-X replenishment cycle. This Plan was approved by the ADF Deputies at the last ADF-X consultation meeting in Copenhagen, Denmark and is being implemented by the Bank Group. The Bank Group has also prepared an Action Plan on Harmonization, Alignment and Managing for Results, which will guide the implementation of the Bank's activities within the framework of the Rome Harmonization Agenda and the Paris Declaration on Aid Effectiveness. The Policy Implementation Matrix compliments the above-mentioned Action Plans and summarizes progress made, over the replenishment period, in implementing the policy directives set out during the negotiations, and which are not explicitly mainstreamed in these Plans. Details on Management Actions on the undertakings presented in the Progress Implementation of the ADF-X Policy Matrix are further elaborated in the following brief papers that have been prepared for the ADF-X MTR:

- (i) Status of Implementation of Operational Priorities;
- (ii) Progress on the Implementation of the Action Plan;
- (iii) Progress on Debt Sustainability Framework;
- (iv) Performance Based Allocation Issues, Challenges and the Way Forward;
- (v) Progress report on the Review of the Bank's Comparative Advantage;
- (vi) Review of the Fund's Governance Structure;
- (vii) Compensation for Increased Grant Financing in ADF-IX;
- (viii) Experience in Use of Budget Support and Sector-Wide Approach;
- (ix) Update on Implementation of ADF-X Policy Matrix.

3. The ongoing institutional changes in the Bank are expected to strengthen the Bank's ability to better respond to the needs of its clients' and to deliver quality services, as these changes will improve the staffing position and skills mix, among other factors. These institutional improvements will auger well for effective implementation of the policy directives during the remainder of the ADF-X implementation period.

ADF-X POLICY IMPLEMENTATION MATRIX (PIM): 2005 – 2007

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
ACTION PLAN TO IMPROVE THE IMPLEMENTATION OF ADF OPERATIONS	1. Management will implement the Action Plan to address the unfinished business identified by the ADF Independent Evaluation	See the ADF Action Plan Implementation Matrix	2007
POVERTY REDUCTION	2. Management will monitor the implementation of the revised Poverty Reduction Policy; Management will continue to prepare the Annual Progress Report on Poverty Reduction.	1-Policy informing CSPs & Operations 2-Increased collaboration with other Development Partners. 3-Twenty three (23) countries benefited from Bank debt Relief to date. 4-Progress Report on Poverty Reduction for 2001-2005 will be ready end of December 2006	Original: 2005 Revised: On-going
GREATER SELECTIVITY	3. Management will focus its attention to clarifying the areas of comparative advantage of the Fund in order to increase precision and focus in the areas of its operations. A report on its findings will be submitted for the mid-term review of ADF-X. And in order to further strengthen the selectivity already shown in most recent CSPs, the Fund will further define the key critical areas for intervention within each priority area.	1-Thirty-two out of 39 ADF countries have RB-CSPs, 3 Joint Assistance Strategies. Average 2 pillars per CSP prepared. 2-A draft Note on comparative advantage has been prepared and is under discussion. A high level panel of eminent personalities has been established to assist the Bank in defining its comparative advantage.	Original: 2005 Revised: 2006 & On-going
ENHANCED DEVELOPMENT EFFECTIVENESS	4. Measures to be undertaken during the ADF-X program will include: the preparation of Country Strategy Papers (CSPs) and Regional Assistance Strategies (RAS) utilizing a results-based format; the development of results-oriented tools, such as enhanced logical frameworks; and strengthening the quality of Fund operations at entry as well as during implementation.	1-RB-CSP format has been approved and is in use. 2-QEA exercise introduced 3-RB-Logframe in use and training of staff is ongoing	Original: 2005 Revised: On-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
5. ENHANCED DEVELOPMENT EFFECTIVENESS (cont'd)	With regard to ESW, the Fund will strive to boost the scope and quality and relevance of its analytical studies and diagnostic reviews. The Fund, however, will avoid unnecessary duplication of ESW produced by its development partners if it is of good quality and is relevant to Fund operations. Rather, the Fund will continue to collaborate actively and share research, analytical and diagnostic findings with partner institutions and RMCs.	1-No. of ESW undertaken is 34 in 2005/6, of these 4 were prepared jointly with other Development Partners. For 2007, Management plans to initiate 98 new ESWs. 2-More importantly preparation of ESW synchronized with that of RB-CSP so that ESW inform CSPs for relevance and enhanced quality of analysis	Original: 2005 Revised: 2006 & On-going
6. HARMONIZATION, ALIGNMENT AND MANAGING FOR RESULTS	Within the framework of the Action Plan on Harmonization, Alignment and Managing for Results (HAMfR), the Fund will strive to achieve closer alignment of its assistance operations to the development priorities and poverty reduction strategies, systems and timeframes of its RMCs, harmonize its operational policies and practices with other multilateral and bilateral development assistance providers, coordinate with them its interventions with a view to minimizing transactions costs on the client countries, and achieving results.	1-Budget support and PBL operations designed to support implementation of the PRSPs in Fund RMCs. 2-Joint donor support in Uganda, Tanzania, Mozambique, Madagascar and Zambia 3-Process Review well aligned with Bank interventions to PRSPs in the five RMCs with JAS & HA. 4-Bank influence in HA/JAS still limited until country offices well staffed. 5-RMCs expressed satisfaction with reduced compliance reporting workload.	Original: 2005 Revised: 2006 & On-going
7. PROGRESSIVE INVOLVEMENT IN SWAPs AND DEVELOPMENT BUDGET SUPPORT	The Fund will seek to increase its participation in SWAPs and Budget Support operations, in line with its approved guidelines, still using the case-by-case approach.	1-Eight Budget Support and SWAp operations approved under ADF-X, valued at UA418.4 million, representing 18.8% of the total approvals. 2-A comprehensive report on SWAPs is under preparation, for information to staff.	Original: 2005 Revised: 2006 & On-going
8. IMPROVED DONOR COORDINATION AND PARTNERSHIPS	Within the framework of the Action Plan, the Fund will work at strengthening its strategic partnerships and in-country coordination with other development partners, both multilateral and bilateral, in particular, through joint field missions and country analytic work.	Aid coordination is systematically taking place at country level and with specific specialized agencies. Where the Bank has Field Offices, the Bank participates in major sector donor groups, which are also consulted at each stage of the project cycle. The Bank also participated in major donor conferences on specific subjects and hosted meetings on various subjects.	Original: 2005 Revised: 2006 & On-going

		IMPLEMENTATION	
POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	PROGRESS DECEMBER 31, 2006	DEADLINE
ALLOCATION OF RESOURCES BASED ON COUNTRY PERFORMANCE	9. The allocation of resources to countries will continue to be based on performance, with the bulk of resources going to good performing countries, as measured by the Bank's enhanced PBA system.	Resource allocation using Enhanced PBA System has been carried out for 2005/6	Original: 2005 Revised: On-going
	10. The Fund will improve its coordination with other MDBs in order to further refine the CPA and to make it fully transparent.	Coordination with other MDBs is on a continuous basis, especially IDA. The Bank organized an MDB Technical meeting on PBA in March 2006.	Original: 2005 Revised: On-going
SUPPORT TO POST-CONFLICT COUNTRIES	11. The Fund will continue using the resources of the Post-Conflict Country Facility (PCCF), on a case-by-case basis, to assist those post-conflict countries that meet the criteria established under the PCCF.	1-UA45 million has been allocated to PCCF, out of which UA33.38 million was used to clear 33.5% of Congo's ADB arrears. 2-Projections as at December 2006: UA4.38 million to clear 100% of ADB arrears in Central African Republic and UA78.32 million to clear 63% of ADB arrears in Liberia.	Original: 2005 Revised: On-going
TRANSPARENCY AND ACCOUNTABILITY	12. - The Bank will take additional steps to enhance its institutional transparency with a view of becoming a leader, in this regard, among its sister institutions.	1-The internal Audit department has been reorganized into the office of the Auditor General encompassing internal Audit and anti-fraud investigation activities. 2-A policy on whistle blowing, establishing a system of receiving allegations of fraud, has been presented to the Board. It underwent public consultation by posting it on the website for two and a half months. The policy is accompanied by measures to protect staff and other development partners who come forth with allegations of fraud. 3-With the final approval of Whistle Blowing policy document, investigative activities will increase. The Bank will make public statistics on the outcome of the investigations in an Annual Activity report.	Original: 2005 Revised: On-going
	13. - The Bank will publish, on the website, specific indicators and results of projects and programs, both periodically during the execution and at their completion.	The Status of Operations under Implementation (SOUT) will be posted on the website in December 2006.	Original: 2005 Revised: 2006

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
OPERATIONAL PRIORITIES FOR POVERTY REDUCTION			
	14. To reinforce corporate transparency and accountability, the Bank will implement the decision of the Boards of Directors establishing an Anti-Corruption and Investigation Unit, which will provide the framework for evolving procedures for reporting on allegations of fraud and corruption.	The Unit was established on 8 November 2005 and is functioning. This Unit will have four professional staff positions. Recruitment is in progress and the necessary specialized IT equipment has been procured. A consultant is assisting to set up a computer forensic laboratory.	Original: 2005 Revised: 2006
AGRICULTURE AND RURAL DEVELOPMENT	15. - The Fund will continue to assist RMCs in developing consistent and pragmatic action plans for rural development and the modernization of agriculture	1-The Bank is developing a strategy on support to Research, for Board consideration in November 2006. 2-The Bank has stepped up support to investments in trade and export promotion. 3-The decentralization exercise will afford the Bank the opportunity to be closely engaged with RMC in developing Action Plans.	Original: Not indicated Revised: 2006
	16. - Through its interventions in the sector, the Fund will continue to strive towards building leadership in and significantly contribute to the development of rural infrastructure (feeder roads, crop storage facilities, irrigation systems, water supply and sanitation, energy systems including rural electrification).	In addition to NEPAD and RWSSI, more than 50% of the new operations under ADF-X include development of rural infrastructure	Original: Not indicated Revised: on-going
	17. - Special focus will be on capacity building at community level and support to smallholders through income-generating activities.	Sector interventions have continued to invest heavily (at least 50% of cost of a typical project in the sector) in grassroots institutional capacity building through group formation and training.	Original: Not indicated Revised: on-going
	18. - The Fund will also support projects and initiatives towards enhancing food production and food security in Africa, in partnership with other donors.	In partnership with FAO, the Bank is preparing follow-up projects from the 1997 AfDB/FAO pilot Special Programme for Food Security (SPFS) in 4 countries.	Original: no deadline Revised: on-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
19.	- The Fund will also continue to pay due attention to the preservation and development of regionally shared agricultural assets as well as to the fight against predators for which a regional response is required	Out of UA422.44 million approvals for multinational operations by December 2006, 20% (the 2 nd largest sector allocation) is for Agriculture and Rural development Sector. The Bank is continuing to address challenges in this sector on regional and sub-regional level.	Original: Not indicated Revised: on-going
20.	- As security of land tenure remains a barrier to effective agricultural development programs in Africa, the Fund will continue its work in this important area, with a view of taking a lead role on this difficult issue. Management will develop a policy on land tenure cutting across different sectors, in 2005.	1-The Bank Group/AU/ECA consortium is developing a Land Reform Framework for Africa for consideration by the AU Summit in 2007. 2-The Bank is developing a Land Policy to systematically mainstream land issues and facilitate key areas of support	Original: Mid-2006 Revised: Nov. 2007
21. RURAL WATER SUPPLY AND SANITATION	The Fund's role in the RWSSI Initiative, at country level, will be defined within the framework of the priorities and strategies adopted by countries as reflected in their poverty reduction strategies; and this in coordination with the other stakeholders.	Operations under RWSSI are part of countries' own programmes, as reflected in the CSPs, which in turn are generated from PRSPs and National Development Plans.	Original: 2005 Revised: 2006
22.	The ADF replenishment will provide up to 30% of the RWSSI overall resource requirement.	By December 2006, UA396 million, equivalent to 13.8% of the ADF approvals will be committed from ADF resources.	Original: 2007 Revised: 2007
23. HUMAN CAPITAL DEV'T - EDUCATION	- The Fund will continue to give a high priority to education as a means to reduce poverty and improve living standards by increasing productivity. The Fund will put, in priority, the focus of its interventions on policy reform, primary education, adult literacy and numeracy, and promotion of vocational and technical training.	1-Seven projects approved since 2005 give a high priority to education. The focus of 2 of the 7 projects was on productivity and includes education activities. 2-A strategy on science and technology is being developed	Original: 2007 Revised: 2007

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
24.	- The Fund will give particular support to promoting the attainment of universal primary education and the elimination of gender disparity in primary and secondary education	Four projects aimed at promoting attainment and elimination of gender disparity in secondary schools (Malawi, Guinea, Uganda and Nigeria) were approved.	Original: on-going Revised: on-going
25.	- Increased spending on education will be targeted through support to reforms accompanying SWAPs and through sustained dialogue with the countries on the level of their education budgets.	1. Project financed through budget support: <i>Rwanda - Support to Education Sector Strategic Plan</i> 2. Projects fitting within SWAp framework: <i>Uganda-Post-Primary Education & Training; & Malawi- Support to Secondary Education (Ed V)</i> 3. Country offices, where they exist, are being used for dialogue on levels of education spending and other sector issues	Original: 2005 Revised: on-going
26.	- In line with the newly developed guidelines on user fees, the Fund will examine and address the issue in its interventions, on a case-by-case basis.	All 7 projects approved in 2005 and 2006 respected the new guidelines. Bank staff evaluate the situation of user fees as part of their assessment of the financing of the sector.	Original: not indicated Revised: on-going
27. - HEALTH AND COMMUNICABLE DISEASES	- The Fund, under ADF-X, will continue to provide support for improving primary healthcare delivery, enhancing access to essential health services, including mother and child basic health services, nutrition, and basic health counseling, and supply of essential drugs and basic equipment.	1-During 2005/2006, four projects in Sierra Leon, Kenya, Benin, and Congo have been approved to strengthen health care systems in this regard. 2-In addition, 2 projects (Uganda support to Maternal and Mental health, and Tanzania: Reduction of maternal and Newborn deaths), are under preparation.	Original: on-going Revised: on-going
28. - HEALTH AND COMMUNICABLE DISEASES (Cont'd)	- In line with the newly developed guidelines on user fees, the fund will examine and address the issue in its interventions, on a case-by-case basis.	All 5 approved projects respected the new guidelines. Projects assess the situation of user fees as part of their assessment of the financing in the sector	Original: 2005 Revised: on-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
29.	- In close collaboration with other specialized agencies, the Fund will increase its support to ADF countries to implement effective programs to contain or prevent major communicable diseases. In particular, the Fund will intensify its support to programs and initiatives that aim at halting the spread of the HIV/AIDS pandemic by continuing to incorporate CD components in its varied projects and programs.	Three projects approved in 2005/2006 aim to control and prevent communicable diseases. National and multinational approaches are used to combat communicable diseases, including HIV/AIDS. HIV/AIDS components are increasingly being mainstreamed into sector projects.	Original: on-going Revised: on-going
30.	- In order to better contribute to the achievement of the MDGs, the Fund's interventions in the social sectors will be more and more channelled through an integrated approach leading to multidimensional projects and programs that may encompass, in addition to the usual interventions in education and health, components designed to improve the access to the other basic services such as water and sanitation, or to foster the development of income-generating activities such as micro-credit schemes, including for the increasing number of poor in the urban and peri-urban areas.	Out of the 14 approved multisector operations in 2005/2006, 3 are in the social sector. Multi-sectoral approaches and demand-driven integrated social projects were focused in post-conflict situations, in addition to projects that incorporate innovative activities on local governance.	Original: 2006 Revised: on-going
PRIVATE SECTOR DEVELOPMENT 31.	- The Fund will place high priority on the development of the private sector in ADF countries, as this is critical for accelerating economic growth, increasing productivity and incomes, and reducing poverty.	1-CSPs address the main constraints for private sector development. 2-Private sector profiles are being prepared. Three private sector country profiles have been initiated in Mali, Mozambique and Angola during the period under review.	Original: 2006 Revised: on-going
PRIVATE SECTOR DEVELOPMENT (Cont'd) 32.	- Fund activities will focus on measures to improve the investment climate by promoting macroeconomic policy reforms and more conducive legal and regulatory frameworks and will also include an expanded program to support the development of micro, small and medium sized enterprises (SMEs). To this end, the Fund will exploit synergies with the private sector window of the Bank.	1-The new department for Economic Governance and Financial Management will assist RMCs in their programmes to create a conducive environment for private sector development. 2-All CSPs address private sector development constraints. 3-Public operations focused on improving the environment for private sector development, especially under the public-private partnership arrangements.	Original: 2006 Revised: 2006 & on-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS December 31, 2006	DEADLINE
33.	- Given the important role that micro-finance could play in the development of the private sector, the Bank will present, at an early date, a comprehensive micro-finance development strategy for Board approval, to guide future Fund operations in this sub-sector.	A micro-finance development policy and strategy was approved by the Board in June, 2006	Original: September 2005 Revised: 2006 & on-going
34.	- The Fund will provide its RMCs with support in their efforts to build an environment conducive to Public-Private Partnerships (PPPs), namely through the provision of technical assistance.	1-Public operations, under components or activities, focused on improving the environment for private sector development, under the public-private partnership arrangements. 2-The newly created Unit in the Private Sector responsible for PPP will better enable the Bank to design and monitor PPP operations.	Original: 2006 Revised: 2006 & on-going
GOOD GOVERNANCE 35.	- The Fund is positioned to play a key role in promoting good governance in a number of ADF countries and will scale-up its engagements in this area.	1-New Department for Economic Governance & Financial Management has been created. A review of the Bank Group's Governance work and future direction has been carried out. A Concept Note on ADB/OECD Partnership Against Corruption in Africa has been completed. 2-About 6% of the total ADF-X approvals are in support of good governance operations, most of which are in the form of institutional support projects and programs. 3- A review of the effectiveness of the assessment process and the instruments carried out in March 2006.	Original: not indicated Revised: on-going
36.	- The Fund's operations in the area of good governance will focus on fiscal management, procurement, accountability and transparency, including with respect to revenues from extractive industries; capacity building for local administrations and decentralization where conditions permit; legal and regulatory reform, and judiciary and law enforcement capacity building; land tenure and property rights reforms; corporate governance; anti-corruption; and anti-money laundering.	1. A Bank Group Strategy on Anti-Money Laundering & Combating Terrorism Financing (AML/CTF) scheduled for Board consideration in December 2006. A capacity needs assessment of African Parliaments was completed. 2. Several capacity building and institutional strengthening operations approved to improve fiscal management, procurement, accountability and transparency, improving local administrative capacities, in various RMCs.	Original: On-going Revised: on-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
GOOD GOVERNANCE (Cont'd)	<p>37. - The Fund will mainstream governance concerns in both its public and private sector interventions wherever opportunities arise. In particular, the Fund will use the Country Governance Profiles developed by the Bank Group to prepare Governance Support Programs (GSPs), including Policy Based Lending for Governance (PBLG).</p>	<p>1- Twenty one country governance profiles prepared, with five more planned for the remainder of 2006, while 7 are planned for 2007.</p> <p>2-In addition, the Bank carried out Country Financial Accountability Assessments (CFAA) for Togo and Tanzania, while it participated in the Reports on the Observance of Standards and Codes (ROSC) assessments for Senegal and Botswana.</p> <p>3-Additionally, it participated in the APRM Country Assessments for Ghana, Kenya, Rwanda and South Africa, as well as in several sensitization missions (e.g. in Tanzania).</p> <p>4-The Bank also financed the development of a 3-year strategy for African Supreme Audit Institutions (AFROSAI), the draft report will be considered by Steering committee of AFROSAI and a capacity building workshop for Regional Accounting bodies in Africa, organized by the International Federation of Accountants.</p>	<p>Original: 2005</p> <p>Revised: 2005 & on-going</p>
	<p>38. - At the regional level, within the framework of NEPAD, the Fund will continue to provide support to the African Peer Review Mechanism (APRM) especially in the areas of economic stewardship, social development, financial sector and banking standards, corporate governance and operations monitoring and evaluation.</p>	<p>During the period 2005/2006, the Bank participated in the Peer Review evaluation missions for South Africa, Rwanda, Uganda, Kenya and Ghana. The Bank will continue to play this active role in future evaluation missions.</p>	<p>Original: Not indicated</p> <p>Revised: on-going</p>
POST-CONFLICT ASSISTANCE	<p>39. - The Fund's assistance to post-conflict countries will not exceed three years and will focus on socio-economic reintegration programs, the rehabilitation of basic social and economic infrastructure, and the promotion of good governance.</p>	<p>1-Continues to provide valuable assistance to post-conflict countries to enable them re-launch their economies, and improve their governance structures. Such support is being provided to Liberia, DRC, and Sudan.</p> <p>2-A Strategy on Fragile States is also being prepared scheduled for Board presentation in January 2007.</p>	<p>Original: 2005</p> <p>Revised: 2005 & on-going</p>

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	DEADLINE
		PROGRESS DECEMBER 31, 2006	
REGIONAL ECONOMIC COOPERATION AND INTEGRATION	40. - The Fund will continue to play a key role to promote regional cooperation and integration arrangements, particularly in the context of the NEPAD initiative.	<p>1-Provision of assistance to regional organizations continued, to promote regional integration. A new Unit for Regional Integration and Trade has been established. The Fund's program in 2006-2007 includes assistance to SADC, UEMOA, COMESA and AFRITAC</p> <p>2-Two multinational projects, in the context of NEPAD, are under preparation.</p>	<p>Original: Not indicated</p> <p>Revised: on-going</p>
	41. - Fund operations will focus on regional institutional capacity building; the development of regional infrastructure; harmonization of macroeconomic policy; trade liberalization and creating the appropriate conditions for regional private sector development; and the promotion of sustainable development at the regional level.	<p>Fund support to Regional Economic Organizations is aimed at improving regional capacities, and the harmonization of policies among member countries within the regional groupings, such as the approved operations to SADC for:</p> <ul style="list-style-type: none"> (i) HIV/AIDS & TB Programme; (ii) Trans-boundary Animal Diseases Control and Surveillance; (iii) Integrated Water Resources Management; (iv) Capacity building. (v) To COMESA in Public Procurement Enhancement. (vi) Other envisaged support includes continued support to the Africa Capacity Building Foundation. 	<p>Original: Not indicated</p> <p>Revised: on-going</p>
CROSS CUTTING ISSUES - CAPACITY BUILDING	42. The Fund will intensify its capacity building efforts and, as importantly, adopt a more strategic approach by incorporating capacity building concerns and issues in CSPs.	<p>Eight projects (5 in education, 2 in health and 1 multinational) approved in 2005/2006 have capacity building components and/or activities.</p>	<p>Original: 2005</p> <p>Revised: on-going</p>

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
<p>43.</p> <p>- GENDER MAINSTREAMING</p>	<p>The Fund will continue to mainstream gender issues in the Bank's interventions in all sectors. It will also continue to use its <i>Country Gender Profiles</i> to identify gender gaps, monitor progress towards meeting gender equality targets, and measure the effectiveness of Fund interventions. To enable it to undertake these activities, the Fund will increase its staff complement of gender specialists.</p>	<p>1. Projects systematically address gender issues in terms of reducing disparities (examples are education projects in Malawi, Guinea, Uganda and Nigeria).</p> <p>2. Two Gender Profiles completed for Namibia and Malawi and 3 Gender profiles planned for Kenya, Swaziland and Ghana during 2006.</p> <p>3. An increase of 7 Gender specialist has been envisaged (a 100% increase). Actual recruitment will be carried out during 2006/2007.</p>	<p>Original: 2005</p> <p>Revised: for items #1 & 2 on-going; for item #3 2007</p>
<p>44.</p> <p>- ENVIRONMENT MAINSTREAMING</p>	<p>The Fund will continue to promote the sustainable management of scarce natural resources within the context of its new Environment Policy. Towards this end, the Fund will give special attention to promoting the sustainability of natural resource-based livelihoods of the rural poor by mainstreaming, where possible, the linkages between environmental management and poverty reduction in Fund-supported interventions</p>	<p>1-Operations through the Bank Environment and Social rating system emphasize sustainable development, with special focus on environmental management and social responsibility.</p> <p>2-All projects incorporate mitigation measures to address negative environmental impacts.</p>	<p>Original: on-going</p> <p>Revised: on-going</p>
<p>45.</p> <p>ALLOCATION OF RESOURCES BY END USE</p>	<p>An immediate allocation of UA100 million will go to the Post-Conflict Countries Facility (PCCF). Further, an additional UA150 million will be available for the PCCF, if required, to finance the clearing of the arrears of post-conflict countries.</p>	<p>1. The UA100 million PCCF allocation has been made. An amount of UA42 million will have been utilized by December 2006.</p> <p>2. There has been no need for additional resources for PCCF.</p>	<p>Original: 2005</p> <p>Revised: on-going</p>

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
46. ALLOCATION OF RESOURCES BY END USE (cont'ed)	- A proposal will be submitted to the Board of Governors of the African Development Bank to approve, on an annual basis, the allocation to the African Development Fund of the realized income generated from the clearance of arrears of post-conflict countries through the PCCF, with due consideration given to the financial integrity of the Bank.	As there has not been requirement for additional resources, no proposal has been submitted to the Board yet.	Original: 2005 Revised: on-going
47.	- At least 85 per cent of the ADF-X resources (PCCF resources excluded) will be allocated for specific project investments and technical assistance operations, including policy-based loans and grants, and support to sector-wide programs.	The 85.0% limit has been taken into consideration under the Performance Based Allocation System. As such, of the approvals made, 96.8% were allocated to specific project investments and technical assistance.	Original: 2005 Revised: on-going
48.	- The vast majority of these resources will be allocated to Category A countries, with up to 5 percent to Category B Countries	1-This policy directive has been taken into consideration under the Performance Based Allocation System. 2. As at end of December 2006, the Fund expects to commit a total of UA2.22 billion (97.7% of approvals for Category A countries, and 2.3% for Category B countries), which are within the authorized limits.	Original: 2005 Revised: on-going
49.	- Up to 15 percent of ADF resources will be allocated to multinational projects	As at end of December 2006, the Fund expects to approve UA422.44 million (79.5%) of the total multinational allocation under ADF-X. This represents 12.3% of the total ADF-X allocation for operations and is therefore compliant with the maximum limit of 15.0%.	Original: 2005 Revised: on-going
50.	- Not more than 25 percent of the aggregate allocation will be extended via policy-based loans; and as a general rule for keeping the PBL financing level below the prescribed ceiling, the shares of PBLs for individual countries will not exceed 50% of their respective allocations.	The share of Policy-based operations represents 12.2% of total approvals, as at end of December, 2006, far below the maximum 25% authorized under the ADF-X replenishment.	Original: 2005 Revised: on-going

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS DECEMBER 31, 2006	DEADLINE
51. ALLOCATION CRITERIA AMONG ELIGIBLE COUNTRIES	- The allocation of Fund resources will continue to be based on the Enhanced Performance Based Allocation (PBA) system, guided by the Country Performance Assessment (CPA), consisting of the <i>Country Policy and Institutional Assessment</i> (CPIA), and the Country Portfolio Rating (CPR)	1. The Bank has complied fully with this commitment in Fund Resource allocation. 2. Both allocations in 2005 and 2006 were based on PBA, guided by the CPA.	Original: 2005 Revised: 2005
52.	- The Fund will continue its work in close collaboration with IDA and other sister regional development banks in refining the CPA system.	1. This is an ongoing activity. A Technical Meeting is scheduled for February/March 2007 (IDA/ADF).	Original: 2005 Revised: 2006
53.	- The transparency and disclosure of the outcomes of the CPA exercise will be used as a means to exert peer pressure among borrowing member countries to enhance performance and promote good governance. This will enable the Bank Group's efforts to encourage intellectual exchange and knowledge sharing among regional member countries on governance matters.	The country ratings were put on the website in November 2006.	Original: 2005 Revised: 2006
54.	- Drawing on the conclusions of the ADF-X replenishment consultations and the outcome of the MDBs Technical Meeting on PBA Methods, Management will prepare a policy paper on Enhanced Performance-Based Allocation Framework for Board's approval.	The document was approved by the Board in September 2006	Original: 2005 Revised: 2006

		IMPLEMENTATION	
POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	PROGRESS DECEMBER 31, 2006	DEADLINE
FINANCIAL INSTRUMENTS AND ANALYTICAL TOOLS	55. - The Fund will continue to use the full range of strategy papers at its disposal – <i>CSPs, Regional Assistance Strategy (RAS) Papers, Monitoring Briefs, CDPs (Country Dialogue Papers) and Interim Country Strategy Papers (ICSPs)</i> – in which to set out its medium-term assistance strategy to countries, regions and institutions and provide the justification for the allocation of scarce ADF resources.	The use of the full range of strategic papers at the disposal of the Bank has continued to be used under ADF-X, to define country strategy, while CPA has continued to inform the ADF resource allocation process.	Original: on-going Revised: on-going
	56. Project investments will continue to be the primary vehicle for Fund support to countries during ADF-X.	The practice of using projects as the main investment approach has continued. As at end of December 2006 only 12.2% of ADF-X resources will have been committed to policy based lending, while projects will account for 87.8%.	Original: on-going Revised: on-going
	57. Policy-based operations will be used in a selective manner and focused on countries which are good performers under the Fund's CPA, with CSPs providing the justification for all PBL allocations.	1. Approved financing to policy-based operations used CPA to reward high performers. 2. The Bank has set out clear prerequisites under which budget support should be made. Emphasis is on stable macroeconomic conditions, the availability of a well prepared poverty reduction strategy, and good fiduciary standards. Budget support operations are therefore only financed for countries that meet the prerequisites.	Original: 2005 Revised: on-going
	58. The Fund will take responsibility for the design of policy-based operations in governance and regional integration, in countries where the IMF judges the macroeconomic situation acceptable, and where sufficiently transparent financial and budgetary procedures exist.	1. The Bank has continued to design policy-based operations in countries rated by the IMF as pursuing acceptable macroeconomic policies, and where transparent financial and budgetary procedures exist. 2. In addition to IMF rating, the Bank undertakes its own assessments and uses Governance profiles as well as those the African Peer Review Mechanism (APRM), for information on the soundness of the country systems and macroeconomic situation.	Original: 2005 Revised: on-going

		IMPLEMENTATION	
POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	PROGRESS	DEADLINE
		DECEMBER 31, 2006	
59.	In line with its guidelines, the Fund will consider providing budgetary support to countries that have, <i>inter alia</i> , a well-designed PRSP or National Development Plan, a viable macroeconomic and financial framework, a strong and genuine partnership with the donor community and other stakeholders, strong implementation and monitoring mechanisms, and effective, transparent, and adequate fiduciary and budgetary systems.	The Bank has continued, during the ADF-X period, to use PRSPs and National Development Plans; Medium Term Expenditures; and other tools in assessing its budgetary support to Fund countries.	Original: Not indicated Revised: on-going
60. FINANCING OF LOCAL AND RECURRENT COSTS	The Fund will continue to finance local and recurrent costs in line with the practice of other multilateral financial institutions, notably IDA.	Projects approved under ADF-X have continued to allocate resources to local and recurrent costs	Original: On-going Revised: on-going
61. CONTRIBUTION BY THE BORROWER	The contribution of a borrower to any project or program in which the participation of the Fund is sought through a loan or a grant, will not be less than 10 percent of the total cost to be financed by the borrower and the Fund for investment project and programs, and 5% for studies for project preparation, unless, in special cases, the Board of Directors decides otherwise	The financing structure of approved operations adhered to this directive.	Original: 2005 Revised: on-going
62. DEBT SUSTAINABILITY AND TERMS OF ADF FINANCING	- In order to avoid the build-up of excessive debt in the future, the terms of ADF-X financing, and the share of grants, will be based on a country-by-country analysis of the risk of debt distress. This will rely on the new IMF/World Bank Debt Sustainability Framework (DSF), as applied to the Fund.	The Bank continued to use the IMF/World Bank Debt Sustainability Framework (DSF), to analyze countries' risk of debt distress.	Original: June 2005 Revised: 2006
63.	- The Fund will also monitor closely the level of grants under ADF-X and report regularly to the Board of Directors any significant changes to the initial estimate of the overall level of grants. Developments in this respect will be examined at the Mid-Term Review of ADF-X.	1-The level of Grant approvals has remained low, signaling good performance on a number of RMCs. The Fund has been applying the Debt Sustainability Analysis developed by the WB and IMF in line with the directive from the Deputies. The expected cumulative commitment as at December 2006 is UA906.8 million. 2-The overall grant share is endogenously determined. For 2006 PBA exercise resulted in the overall share of grants to the total ADF-X replenishment, of 28.35% (20 RMCs grants only, 16 loans only, and 4 loan/grant combinations). By applying the dynamic Forward looking Debt Sustainability Analysis of the Debt Sustainability Framework (DSF). By comparison, the overall share of grants based mainly on the static 2005 DSF approach was estimated at 34.29% ; and 44.5% at the negotiated grant element in December 2004.	Original: Mid-term Review Revised: Mid-term Review

		IMPLEMENTATION	
POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	PROGRESS December 31, 2006	DEADLINE
64.	- To reduce the risk related to the ‘free-rider’ issue ¹ , grants will be limited to ADF-only countries.	The Bank is working closely with the WB and IMF to coordinate lending strategies and grants have been provided to ADF only countries.	Original: 2005 Revised: On-going
DEBT SUSTAINABILITY AND TERMS OF ADF FINANCING (Cont’d) 65.	- Further, the Fund will work closely with the World Bank and the IMF to develop a mechanism to also address this “free-rider” issue for ADF-only countries. Management will present a proposal to the Board before the end of 2005.	1-The Bank has continued to work closely with the WB, especially IDA to address the issue of free rider in ADF only grant recipient post MDRI countries. 2-Report scheduled for submission during the first quarter of 2007.	Original: End 2005 Revised: on-going and 2007
66.	- The Fund will adopt IDA’s three-category Modified Volume Approach (MVA) and will apply a 20 percent volume discount on grants.	This has been done under the Enhanced Performance-based allocation system.	Original: 2005 Revised: 2005
67.	- The Fund will also closely work with IDA to harmonize the debt sustainability thresholds for individual countries, and will be closely associated with the work being done by the IMF and the World Bank on the second pillar of the DSF	This has also been done under the Enhanced Performance-based allocation system.	Original: 2005 Revised: 2005
UTILISATION OF GRANTS 68.	- The ADF-X grant resources will be utilized to support the ADF operational priorities, as defined in Paragraph 3.8 of the ADF-X Lending Policy document.	As at end of December 2006, approvals will comprise: UA1,317.7 million (59.2%) loans, and UA906.8 million (40.8%) grants.	Original: 2005 Revised: on-going

¹ A ‘free-rider’ problem could arise if grant financing by international financial institutions were to lead to governments of public sector entities contracting or guaranteeing new loans from alternative sources of financing, thus threatening to defeat the debt sustainability objectives.

POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	IMPLEMENTATION	
		PROGRESS December 31, 2006	DEADLINE
69.	Management will provide justification for the cases of co-financing through a combination of loans and grants, taking into consideration the debt sustainability of the country.	1-This is being carried out through Enhanced Performance Allocation System. 2-In addition, for each operation proposed for financing, justification is provided to ensure that the additional loan or grant is in line with debt sustainability framework.	Original: Not indicated Revised: on-going
70.	In some cases, technical assistance will be provided in support of project preparation, on terms and conditions spelled out in the Policy Guidelines for the Project Preparation Facility (PPF).	1-Management has stepped up sensitization of borrowers to increase the use of this facility. 2-The guidelines for PPF will be revised in 2007, in line with the ADF-X Lending Policy. 3-The document on "Proposals for Access to ADF-X Grant Resources for Financing Technical Assistance Activities" was approved by Governors in October 2006.	Original: Not indicated Revised: 2007 & on-going
RISKS AND MITIGATION MEASURES			
71.	The Fund will work at raising awareness among ADF countries, particularly those eligible to grants only, on the impact of borrowing, on their debt sustainability	The Bank has been involved in various sensitization fora, including participating in a Joint WB/IMF Debt Sustainability Workshop for Anglophone Africa, held in Ghana in April, 2005, and attended by 18 Anglophone RMCs. A follow up Joint WB/AfDB Workshop, on IDA-XIV/ADF-X: Orientation and Thrusts for scaling up aid effectiveness to reach the MDGs in Africa, was held in June 2005, in Tunis. Twenty representative Francophone RMCs, participated.	Original: 2005 Revised: on-going
72.	The Operations Complexes will sensitize the ADF countries non-eligible to grants on the necessity to use part of their loan proceeds for financing the studies required to prepare their development projects.	1-On-going activity and in line with the policy of increasing the size of operations, borrowers are advised to include such studies as components of proposed operations. 2-In addition, the Fund is actively assisting the countries in sourcing bilateral funds for such studies.	Original: 2005 Revised: on-going
73.	Management will undertake the revision of the Project preparation Facility (PPF) operational guidelines to articulate them with the new ADF financing framework.	This activity is programmed for 2007	Original: 2005 Revised: 2007

		IMPLEMENTATION	
POLICY RECOMMENDATIONS	KEY SUPPORTING ACTIONS	PROGRESS December 31, 2006	DEADLINE
74.	Regarding the multinational operations involving grant-only countries on one hand and countries non-eligible to grants on the other hand, the Operations Complexes will intensify dialogue with the different countries, in a view to enhance the solidarity among countries of different levels of economic performance, using the advocacy power of new cooperative frameworks and major African development initiatives such as NEPAD to alleviate the risk facing such multinational operations.	The Fund has continued to dialogue with loan only countries on an on-going basis to encourage cooperation with grant only countries, under multinational operations. Dialogue for multination cooperation is one of the important aspects covered during dialogue missions to RMCs. As a result a number of loan only RMCs have embraced such cooperation, e.g. under the projects (i) the Route Mali-Senegal-Kita-Saraya-Kedougou and (ii) Sustainable Management of Endemic Ruminant Livestock, both involving countries in West Africa.	Original: 2005 Revised: on-going
75.	Management will submit for Board's approval new guidelines for Multinational Operations more in line with the ADF-X context.	Guidelines will be presented for Board approval in February 2007	Original: June 2006 Revised: Nov 2006
76.	Since a large number of countries will be eligible to ADF grant resources for the financing of investment projects, the Bank Group Sanction Policy will be re-visited and eventually revised to take into account the ADF-X financing conditions	The Sanction Policy will be reviewed in the first quarter of 2007.	2005