

**African Development Fund (ADF)
ADF-11 Mid Term Review Meeting
Helsinki, Finland 20-21 October 2009**

Chair's Summary

1. ADF Deputies and observers from International Development Institutions met in Helsinki, Finland, on 20-21 October 2009 to conduct the mid-term-review (MTR) of the 11th replenishment of the African Development Fund (ADF-11). They were joined by the Ministers of Finance of Burkina Faso, the Democratic Republic of Congo, Liberia and Uganda as participants in the review.

2. The Finland Minister of Foreign Trade and Development, the Hon. Paavo Vayrynen, opened the meeting. He highlighted the importance of ODA and Africa for the Government of Finland, which has recently adopted a new Strategic Framework Programme for Africa, with a particular focus on climate change and ecologically sustainable development. Minister Vayrynen also noted the key role played by the African Development Bank Group for the development of the continent and remarked that the MTR is an important step in the replenishment cycle. The ADB President, Dr. Donald Kaberuka, and Participants thanked the Government of Finland for its warm hospitality. The meeting was chaired by Mr. Geoffrey Lamb and this Chair's summary is issued under his responsibility.

3. Opening the discussions, President Kaberuka highlighted the impact of the economic and financial crisis on African low income countries and pointed to the rapid support provided by the Fund as a response during the first half of the ADF-11 implementation. He reaffirmed Management's determination to sustain and deepen operational performance and institutional reforms. The meeting broadly endorsed the implementation by Management of the commitments and priorities agreed for ADF-11 and the progress achieved at mid term. Participants reaffirmed their support for the ADF-11 strategic priorities as further laid out in the Bank Group Medium Term Strategy: developing infrastructure, strengthening governance, promoting regional integration and supporting fragile States. They urged Management to sustain and accelerate improvements in delivery capacity, quality at entry, effectiveness and results, while mainstreaming gender and climate change in strategies and operations. Participants endorsed Management's Action plan for the remainder of ADF-11, while requiring additional attention to issues of decentralization, human resources and progress towards Paris declaration targets. Participants welcomed the quality and candor of management's papers and preparations for the meeting, which facilitated an informed discussion of remaining challenges as well as accomplishments.

Implementation of ADF-11 Core Operational Priorities

4. The meeting expressed broad support to the Fund for responding quickly and flexibly to the food and financial crises, including through frontloading commitments and restructuring country portfolios. Participants welcomed the fact that ADF had nevertheless maintained its focus on core operational priorities and resource commitments laid down for ADF-11. Participants also supported the Bank's greater role as Africa's voice in regional and international discussions. The discussions focused on the following key issues:

- ***Infrastructure***: Participants reaffirmed the importance of infrastructure for the continent and noted the significant contribution of the Fund in this area, particularly in the areas of transport, energy, water and sanitation. The key role of infrastructure in private sector development was discussed. Participants and representatives of RMCs encouraged management to develop instruments such as guarantees to increase the Fund's support to private sector development.

- ***PBLs***: Participants discussed extensively Policy Based Loans (PBLs) including their share in total commitments, their role in supporting budgetary decision-making and structural reforms in recipient countries, as well as the robustness of results indicators. Participants welcomed the upcoming review of recent PBL operations and it was agreed that the Fund's use of PBLs, on which a range of views were expressed, would continue to be an important topic of discussion as part of ADF-12, including lessons learned from the crisis.

- Regional Integration: Participants reiterated the importance of the role of the Fund in integrating African economies and were encouraged by the record commitments in support of regional infrastructure and selected regional public goods. They emphasized the importance of framing regional operations in the sub-regional context. They reaffirmed their support to the cost-sharing principle among beneficiary countries but agreed to discuss possible adjustments to manage disincentives and small country concerns.

Implementation of the ADF-11 Results Framework

5. Participants noted the Bank's significant progress in the results management area. They welcomed the efforts of the Bank in developing and mainstreaming the results framework, including through the implementation of the Action Plan on Quality and Results. They emphasized the need for sustained effort and oversight to consolidate gains and instill a true results culture in the Bank. Representatives of RMCs pointed to encouraging enhancement of results in their countries, while noting the joint responsibility of recipient countries in the quest for results.

6. Participants discussed ideas for new indicators for sanitation, climate change, fragile states and gender and urged Management to continue efforts to build the statistical capacity in ADF countries to better measure for results.

Reporting on Institutional Capacity

7. Participants welcomed the improvement in the management and effectiveness of the institutional reform framework, and commended progress by Management to improve the institutional capacity of the Bank and Fund. They noted three particular areas of ongoing concern and noted that management was committing to strong focus and determination to address them.

- Human resources: Management was urged to continue strengthening the human resources management of the bank, with stronger focus on filling vacant positions, ensuring transparency and speed of recruitments, and a stronger focus on gender, diversity and merit based selection in staffing.
- Decentralization: Participants regarded the forthcoming roadmap for the next phase of decentralization as a very important element in the reform agenda. Representatives from regional member countries stressed the improvements in the quality of dialogue and operations where field offices are working effectively. Participants discussed the need to tailor make solutions for field offices. They agreed decentralization is a critical area for the Bank to make further progress. A range of views was expressed on the appropriate balance between deepening of decentralization and a cautious approach, based on prior experiences of the Bank and other development institutions.
- Paris Declaration: Management was urged by Participants to take more decisive action toward greater aid effectiveness and Paris Declaration targets, both at the institutional level and for donor coordination at country level.

Resource Allocation

8. Participants reaffirmed their support to the resource allocation framework of the Fund centered on performance. They welcomed the effective utilization of ADF-11 resources and took note of the serious commitment capacity constraints resulting from frontloading to deal with the crisis. While urging the Fund to make maximum efficient use of internal resources (including cancellable resources and net income contribution), some participants confirmed their intention to explore possibilities to advance the payment of the third installment of their subscriptions earlier in 2010.

9. Participants welcomed the effective working of the performance based allocation (PBA) system, while acknowledging that the volatility of allocations and country vulnerability were important issues to deal with going forward. Participants agreed to continue discussions on how to increase the relevance of the system while ensuring its robustness and predictability as part of ADF-12. Participants also reaffirmed the importance of the debt sustainability framework while expressing concerns about the continued debt vulnerability of many HIPC post completion point countries. They supported the Fund's collaboration with other IFIs on debt and its increased engagement in debt management capacity building.

Launch of ADF-12 Replenishment Consultations

10. After formally concluding the ADF-11 MTR, Participants launched the ADF-12 replenishment process with a discussion focusing on strategic priorities, the Fund's responsiveness and capacity as well as resources and their allocations. Participants reiterated their support for building the Bank as a strategic African Institution. They expressed support for consolidation and deepening of the current strategic priorities as a prime focus for ADF-12, but urged the Fund to be innovative and to integrate food security and climate change as cross cutting issues. They emphasized the importance for the Bank to continue its efforts to build its delivery capacity, with a particular focus on high quality, decentralization, human resources development, and aid effectiveness. Moving forward with this agenda, Participants thought clarity of ADF's distinctive role would be enhanced and that this needed more effective communication. Management committed to come back to Participants on each of these issues in the course of the ADF-12 consultations.

Other Matters

Participants tentatively agreed that the next meeting would be held in Cape Town, South Africa on the week of 22 February 2010.