

**African Development Fund (ADF)
Third ADF-12 Replenishment meeting
Abidjan, Côte d'Ivoire, 26-27 May 2010**

Chair's Summary

1. ADF Deputies and observers from international development institutions met in Abidjan, Côte d'Ivoire on May 26 and 27 to discuss the twelfth replenishment of the African Development Fund (ADF-12). They were joined in their discussions by Ministers and representatives of Burkina Faso, the Democratic Republic of Congo, Liberia and Uganda. President Kaberuka and participants thanked the Government of Côte d'Ivoire for its warm welcome. The meeting was chaired by Geoffrey Lamb and this Chair's summary is issued under his responsibility.
2. The representative of the Government of Côte d'Ivoire opened the meeting by highlighting the importance of the ADF in the development of the continent's poorest countries, and called for an ambitious replenishment to help beneficiaries in their development efforts and poverty reduction strategies.
3. The President of the African Development Bank (ADB), Dr. Donald Kaberuka, underlined the close connection between the ADF replenishment and the General Capital Increase for Africa's development. He emphasized that performance based allocation (PBA) was the bedrock of ADF's use of resources, and noted that special ADF funding for regional integration and fragile states was an essential complement, and not a competitor, to the core PBA. An important lesson from recent experience was that rapid availability of resources, including for arrears clearance, was critical as fragile states emerged from crisis and reengaged, with the support and endorsement of the international community. For Africa as a whole, the President stressed the fundamental importance of the private sector as the driver of growth, and drew attention to ADF's proposals for innovative instruments to accelerate private investment in African economies. In closing, he drew attention to significant further decisions by ADF management to increase internally generated resources for ADF-12, and hoped this would encourage maximum efforts by donor governments.

Leveraging ADF Resources for Private Sector Development

4. Participants discussed potential new instruments to enhance private sector development in low income countries, and strongly endorsed the Fund's engagement with the private sector and its exploration of innovative ways to encourage private investment. They agreed that a Partial Risk Guarantee (PRG) should be introduced during the ADF-12 period, with detailed proposals to be brought to the Board in due course. While not supporting the use of a specific allocation of ADF-12 resources for a First Loss Portfolio Guarantee (FLPG), Deputies requested that work on this and other innovative instruments should continue, and be brought forward to the appropriate decision making fora.

Results Measurement Framework

5. Participants welcomed the strengthened framework for measuring and tracking results, and the development of a "One Bank" framework to encapsulate both ADF and ADB, allowing for greater development impact on the ground. Participants encouraged Management to

develop stretch targets and to propose an ADF-specific results matrix for incorporation in the ADF-12 Deputies' Report.

Resource allocation framework for the ADF-12

6. Participants endorsed the adjustments to the framework to introduce modified lending terms for blend, gap and graduating countries, and to establish a graduation policy. A range of views were expressed on the precise dimensions and design of set-asides for ROs and fragile states; however, participants unequivocally stressed the underlying importance of performance based allocation as fundamental to ADF's effectiveness. They noted that discussion of improvements to the PBA, including the possible introduction of vulnerability criteria, should continue and be reported on at mid-term review. They broadly endorsed modifications for the RO envelope and FSF as follows:

- Regional Operations would account for up to 20% of available resources, and would be allocated according to a strengthened prioritization and selection framework, incorporating regional integration strategies and project scorecards to track performance. This strengthened framework would be agreed with the Board before the commencement of ADF-12; going forward, Management will take full account of lessons from the upcoming independent review of ROs due to be available in 2011.
- Fragile States Facility: participants welcomed the ADF's stronger role in fragile states and noted that the FSF had facilitated faster reengagement in full coordination with the international community. They agreed that the FSF should, on an exceptional basis, provide for arrears clearance as needed during ADF-12, provided that conditions for such use of resources would be fully agreed as part of the international community's collective action. While there was some diversity of view, most participants stressed that any funds not essential for such purposes during the ADF-12 period should be folded back into the PBA pool. Participants expressed some concern at the potential size of such claims on ADF resources, and asked Management to ensure that these requirements were carefully scrutinized within the overall framework of ADF resource allocation.

Institutional Capacity

7. Participants welcomed the candid update on Institutional Capacity. They encouraged Management to stay the course of reforms and pursue efforts towards enhanced delivery capacity and a strong internal culture of results. A number of participants stressed the importance of special attention to effectiveness of decentralization going forward.

ADF-12 Financing Framework

8. Participants broadly endorsed technical proposals regarding reference interest rates and the modeling of encashment, welcomed flexibility to meet individual countries' budgetary cycles, and commended Management for the additional efforts made to increase internally generated resources for ADF-12.
9. Participants had a preliminary discussion of replenishment scenarios and financing challenges. They agreed that further work was needed on financing, with firm commitments to be reached at a final replenishment meeting, now envisaged for September 2010, in Tunis.