

*Informal Board Meeting
September 15th, 2009
Tunis*



Progress in Implementing ADF-11

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Outline of the Presentation

1. Agreements reached in Dakar
2. Purpose of this Board session
3. Objectives of the Mid Term Review (MTR);
4. Progress in the implementation of the Core Operational Priorities
5. Progress in the implementation of the Resource Allocation Framework

Agreements reached with Deputies in Dakar

- Document distribution will be advanced:
 - Documents were posted on September 4th on a secure web-site, 1 and a half months before the meeting.
- MTR Discussions will focus on key papers:
 - Comments on Background papers would be provided by Deputies in advance
 - Management will respond ahead of the MTR meeting and develop an action plan.
- Flexibility in some policy areas was granted
 - This flexibility was used within the agreed boundaries.

The purpose of this session...

- Explain the process from here to the MTR
 - September 4th : all papers distributed
 - September 25th : deadline for comments by deputies
- An opportunity to share with the board key messages of the ADF 11 Mid-Term Review (MTR) to convey to their capitals

Objectives of the ADF-11 MTR in Helsinki

- **Report on accountability:**
 - the resource allocation framework;
 - the core operational priorities;
 - the results framework; and
 - reforms to increase delivery capacity.

- **Share information** on recent developments in ADF countries (impact of the financial crisis)

- **Initiate consultations on the ADF-12 Replenishment**

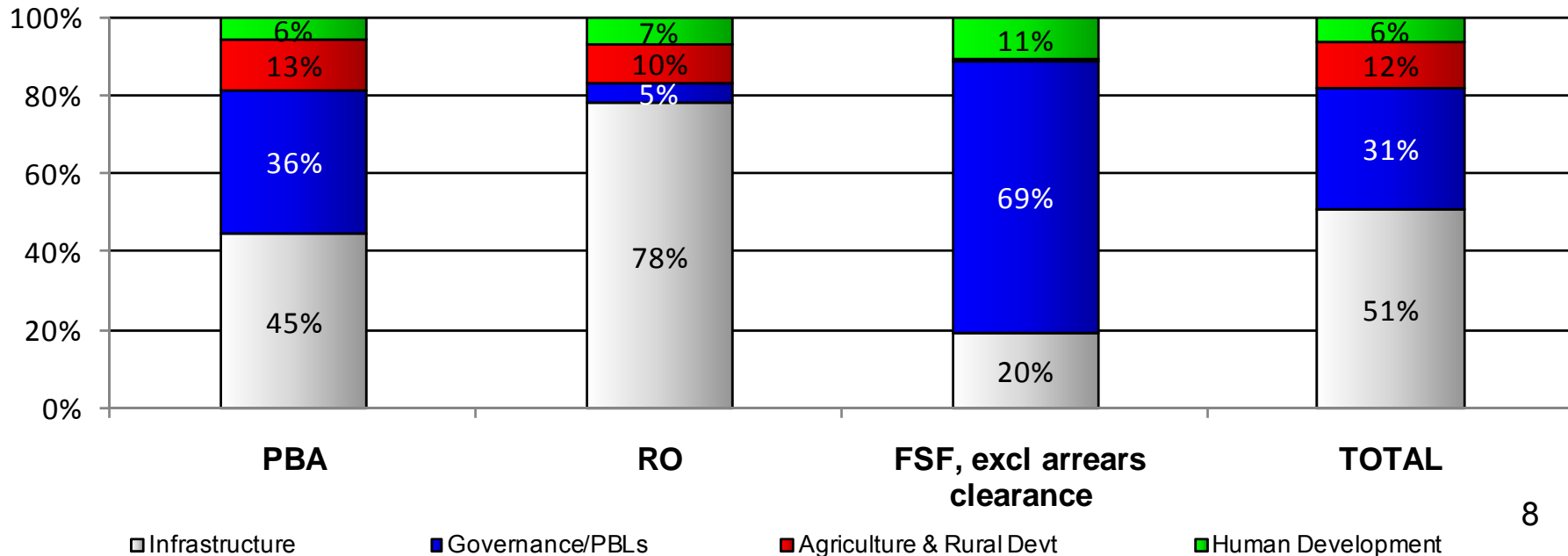
***REPORT ON THE IMPLEMENTATION OF ADF-
11 CORE OPERATIONAL PRIORITIES***

Implementation of Core Operational Priorities

- **ADF-11 agreement with Deputies:** Targeted operational focus on infrastructure, governance, regional integration and fragile states.
- **Situation at End July 2009:**
 - Unprecedented surge in demand, with more than UA 3 billion committed in first 15 months (twice the volume at ADF-10 MTR).
 - 77% of PBA envelope, 94% of RO envelope and 76% of FSF resources expected to be committed by end 2009 (if sufficient commitment capacity).
 - Resources committed in strategic priority areas.

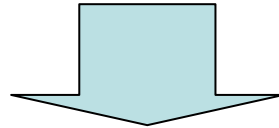
Infrastructure and Governance

- **Infrastructure commitments:** 51% of total commitments at MTR (59% expected by end cycle), mostly in transport (64% of infrastructure at MTR)
- **Governance commitments:** 36% of PBA at MTR (22% by end cycle), mostly as budget support operations



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**Share of total commitments in core sector priorities =
82% at MTR and 81% at end cycle (expected)**

Regional Operations

- Largest ever regional operations commitments: UA 943 million for 16 operations at end July 2009.
- UA 657 million (70%) financed out of RO envelope and UA 286 million (30%) out of PBA (cost sharing).
- Cost sharing principles applied to all projects except:
 - Regional public goods: 8 projects totaling UA 152 million
 - 10% cap for countries with allocation \leq UA 20 million
- RO envelope expected to be fully committed in early 2010, with large unfinanced pipeline (est. UA 500 million)

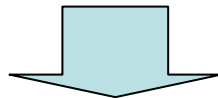
Fragile States

FSF set up in July 2008 as per agreement with Deputies.

- Pillar I (top up resources): UA 133 million committed in 8 fragile States in addition to regular PBA allocations.
- Pillar II (arrears clearance): Arrears clearance provided to Togo and CIV (UA 233 million of ADF resources). Key for re-engagement with donor community and macro economic stabilization.
- Pillar III (targeted support): TA provided to 14 fragile states for total amount of UA 17 million.

Implementation Challenges

- Adapting ADF support in the context of the financial crisis, as agreed in Dakar:
 - Increasing the Bank Group delivery capacity
 - Enhancing the flexibility of the policy framework
 - Development of new products
- Testing the ADF-11 framework for ROs and FS
 - ROs: challenges with the cost sharing requirement design and the RPG prioritization
 - FS: lack of resources for new countries



**Proposals will be developed
as part of ADF-12 consultations**

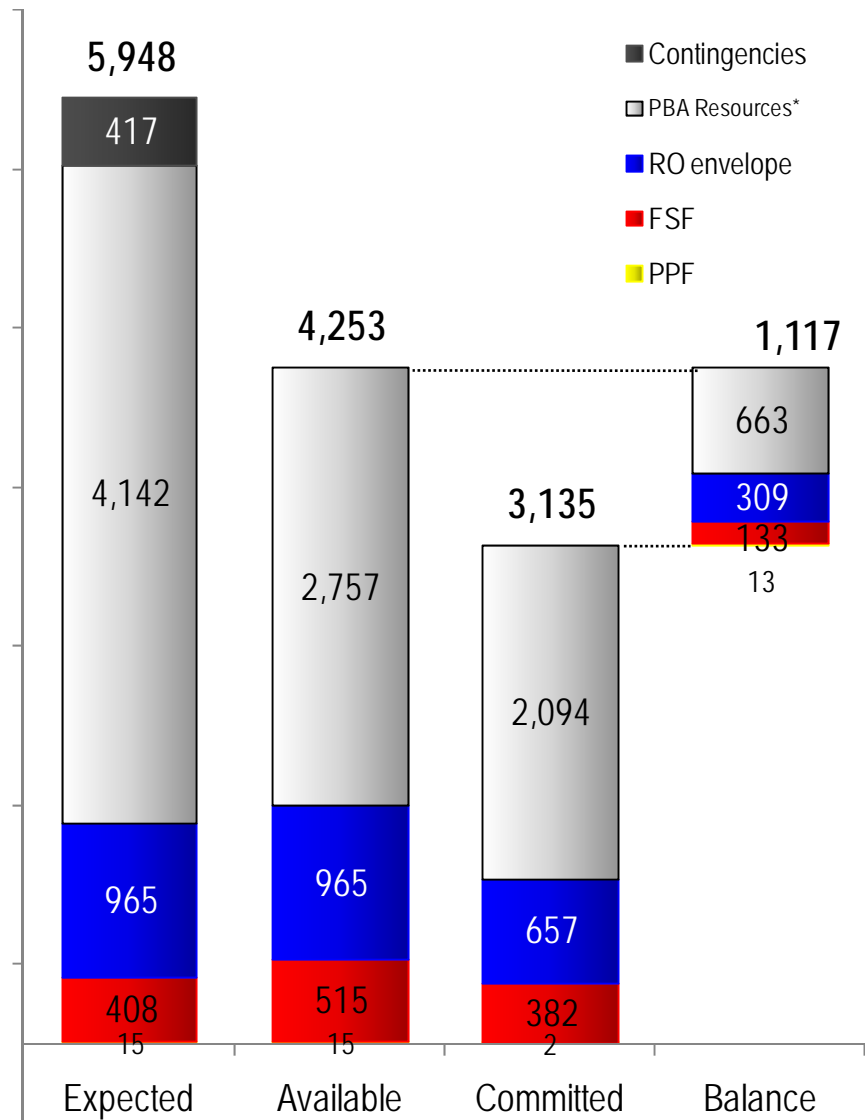
Conclusion

- Unprecedented high demand for ADF resources and unprecedented high commitments.
- More than 80% of commitments were made in the ADF-11 strategic priorities areas.
- The Fund adapted its processes and policies and is continuing to refine them.
- Issues emerged with the cost sharing rule design and the RPG prioritization; these will be discussed during ADF 12.

***REPORT ON THE IMPLEMENTATION OF THE
RESOURCE ALLOCATION FRAMEWORK***

Resources Available for Allocation are Drying Up

- **Frontloaded use** of resources
- Resources currently available **insufficient** to sustain pipeline of projects until year end and in early 2010 (UA 1,745 m)
- Subscriptions, including 3rd installment, must be paid **as early as possible** to allow ADF to continue to provide resources

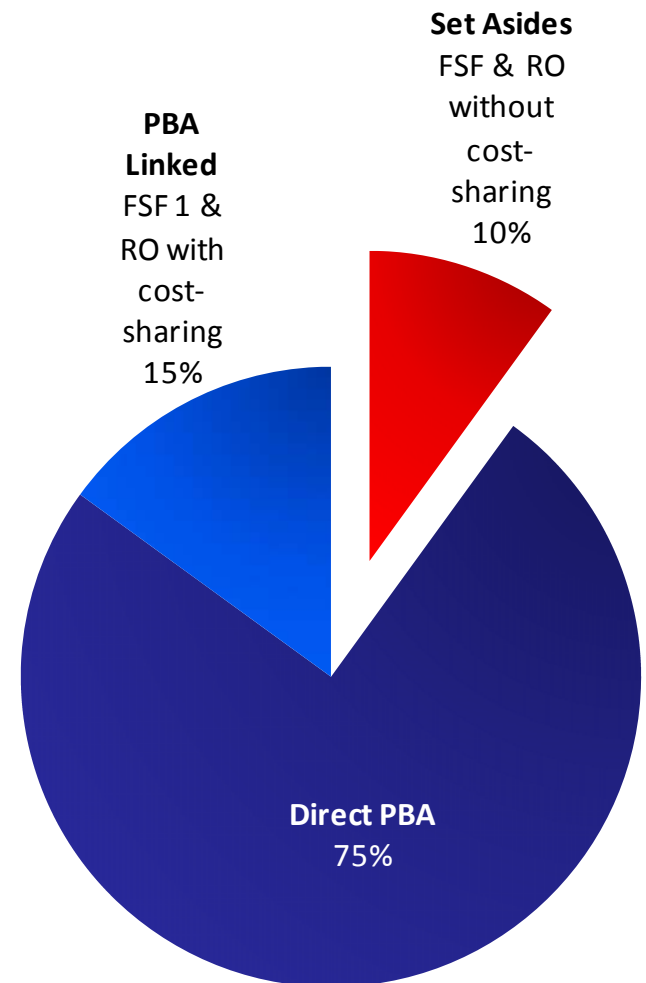


In UA millions, as of end-July '09

* PBA resources are corrected for impact of negative contingencies

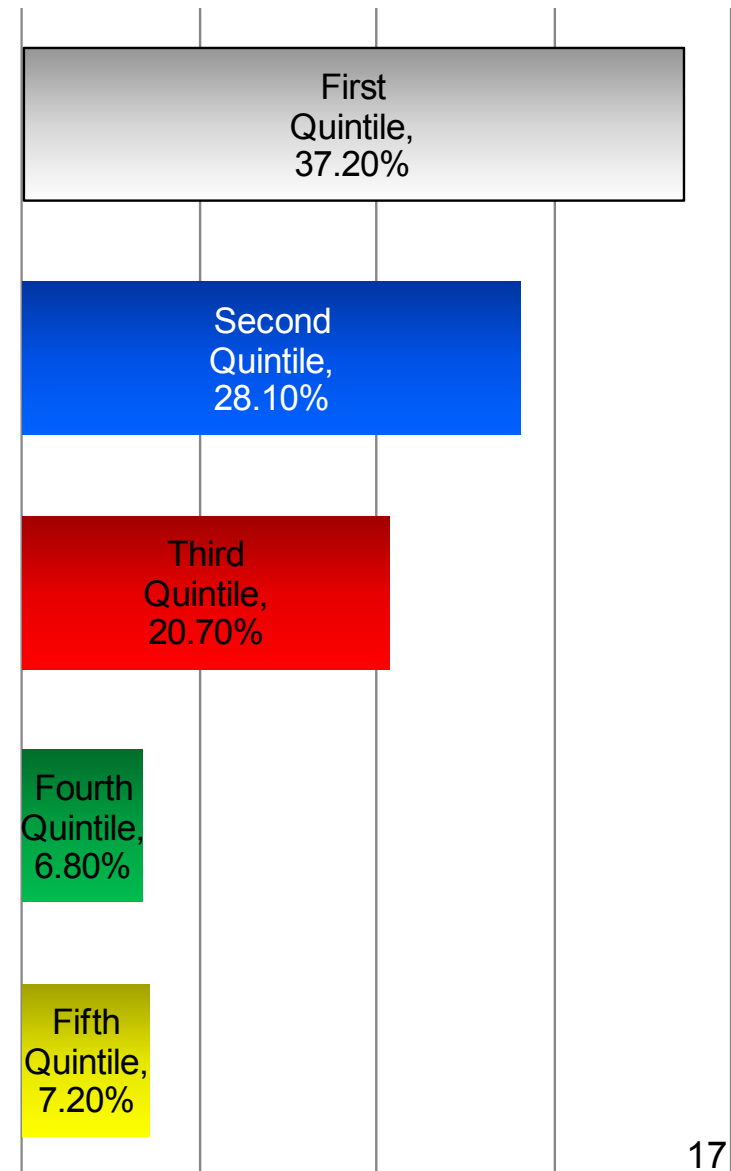
The Allocation Framework is Yielding Solid Results

- 90% of allocated resources are linked to performance

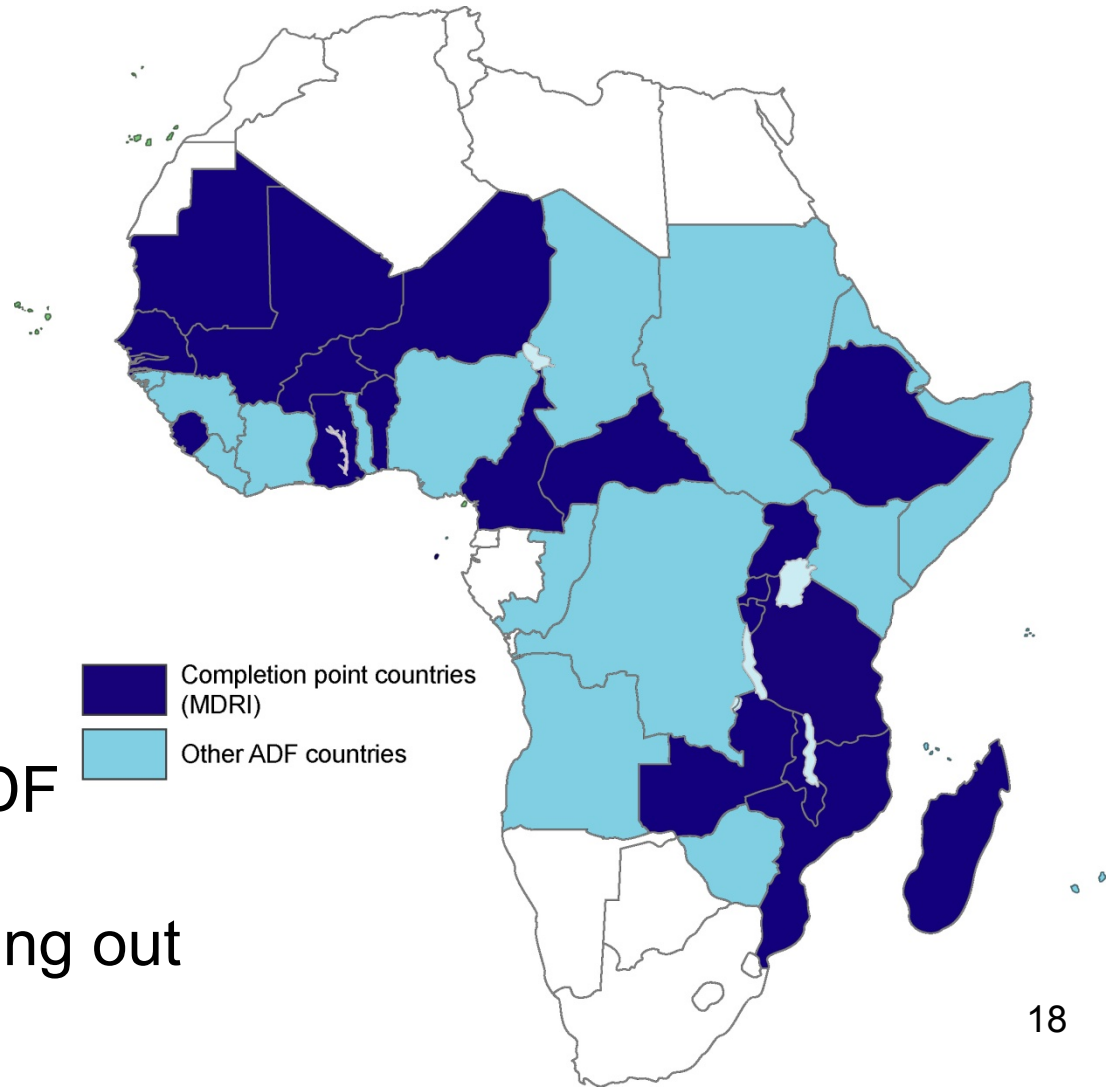


The Allocation Framework is Yielding Solid Results

- Top performers consistently receive a larger resource share



The Allocation Framework is Yielding Solid Results



- MDRI benefits all ADF countries through redistribution of netting out

Two years of Implementation On: Issues that will be Discussed in the Context of ADF-12

- Portfolio performance brings volatility to allocations
 - Even though the methodology has been revised to exclude potentially problematic projects, volatility remains high

Average Variation 2008-2009		
CPIA	CPPR	Governance Rating
2 percent	25 percent	5 percent

Two years of Implementation On: Issues that will be Discussed in the Context of ADF-12

- Portfolio performance brings volatility to allocations
 - Even though the methodology has been revised to exclude potentially problematic projects, volatility remains high
- Based on estimates, MDRI netting out may significantly reduce the ADF allocations of a small number of countries in the future
- Graduation policy will need to be adopted to ensure the adequate mix of resources is provided to graduating countries (Cape Verde, possibly Angola)

Conclusion

- The PBA system plays a key role in the resource allocation mechanism under ADF-11.
- Implementation issues have been identified and will be discussed in the context of ADF-12.
- Commitments are being frontloaded as requested by the G20. Donor countries are thus encouraged to expedite payment of their installments so that ADF can continue its mission.

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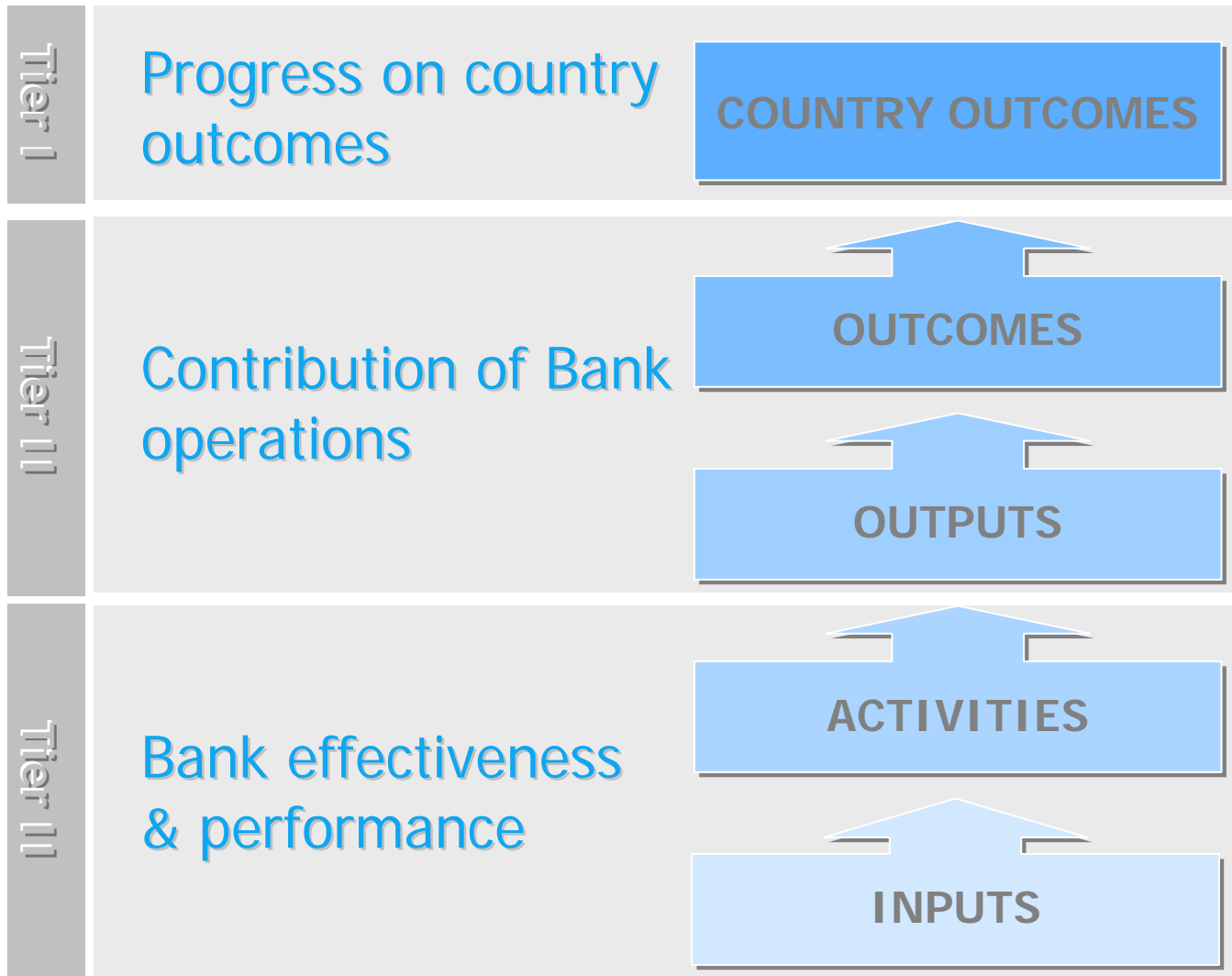


Progress in Implementing the ADF-11 Results Measurement Framework

Simon Mizrahi ■ Manager
Department for Quality Assurance & Results

ADF-11 Mid-Term Review

Results Measurement Framework



Today's presentation

1 Progress on Key Outcomes

2 Progress on reforms

Selected outputs & outcomes

TRANSPORT

- ▶ Roads constructed: 4,211km
- ▶ Feeder roads: 8,594 km
- ▶ People with improved access: 41.6 million

POWER

- ▶ Transmission lines: 3,154 km
- ▶ Power capacity installed: 200 MW
- ▶ People with new electricity connections: 16.6 million

WATER

- ▶ Wells drilled: 3,641
- ▶ Capacity for drinking water provided: 332,411 m³
- ▶ People with new access: 1.7 million.

AGRICULTURE

- ▶ Improved use of land: 484,560 hectares
- ▶ Heads of livestock provided/vaccinated: 59,373
- ▶ Farmers trained: 416,815

Assessment of Bank's operations

- Improved ability to track outputs & outcomes through more comprehensive completion reporting.
- A high degree of delivery of planned outputs with nearly 75% of all output indicators achieving expectations.
- Evidence that outputs have contributed measurable improvements across a range of ADF priorities.
- Scope to improve the share of operation with satisfactory outcomes through better quality-at-entry.

Today's presentation

1 Progress on Key Outcomes

2 Progress on reforms

The Action Plan on Quality & Results

1 Decentralisation

2 Quality at Entry

3 Supervision

4 Evaluation

5 Data & Results Reporting

1. Decentralisation

PROGRESS

Distance from target

■ 2006/07
■ June 09

09/10
Target

% of professional staff in FO

5%

15%

15%

% of portfolio managed from FO

0%

7%

15%

% of aid in common arrangements

40%

37%

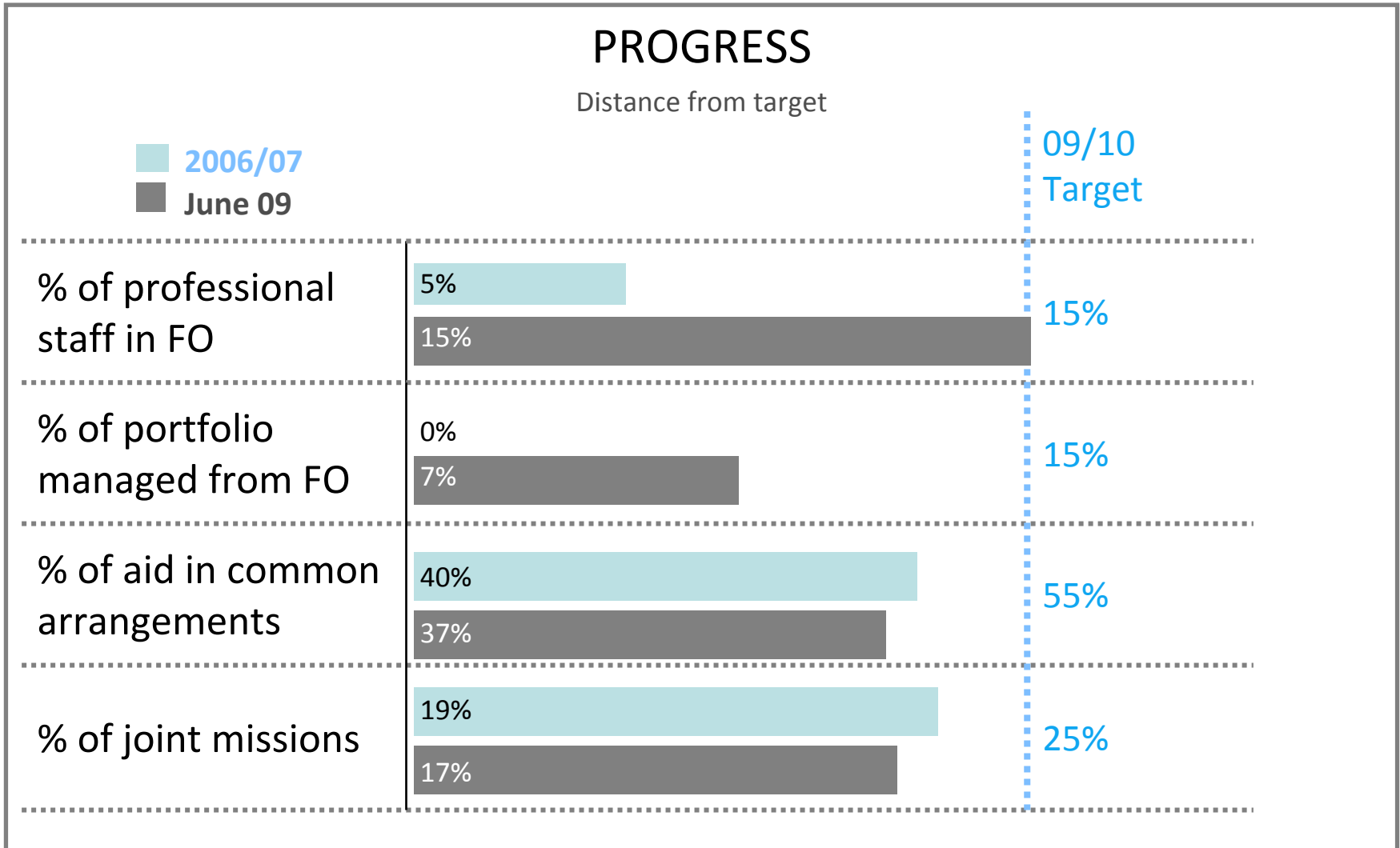
55%

% of joint missions

19%

17%

25%

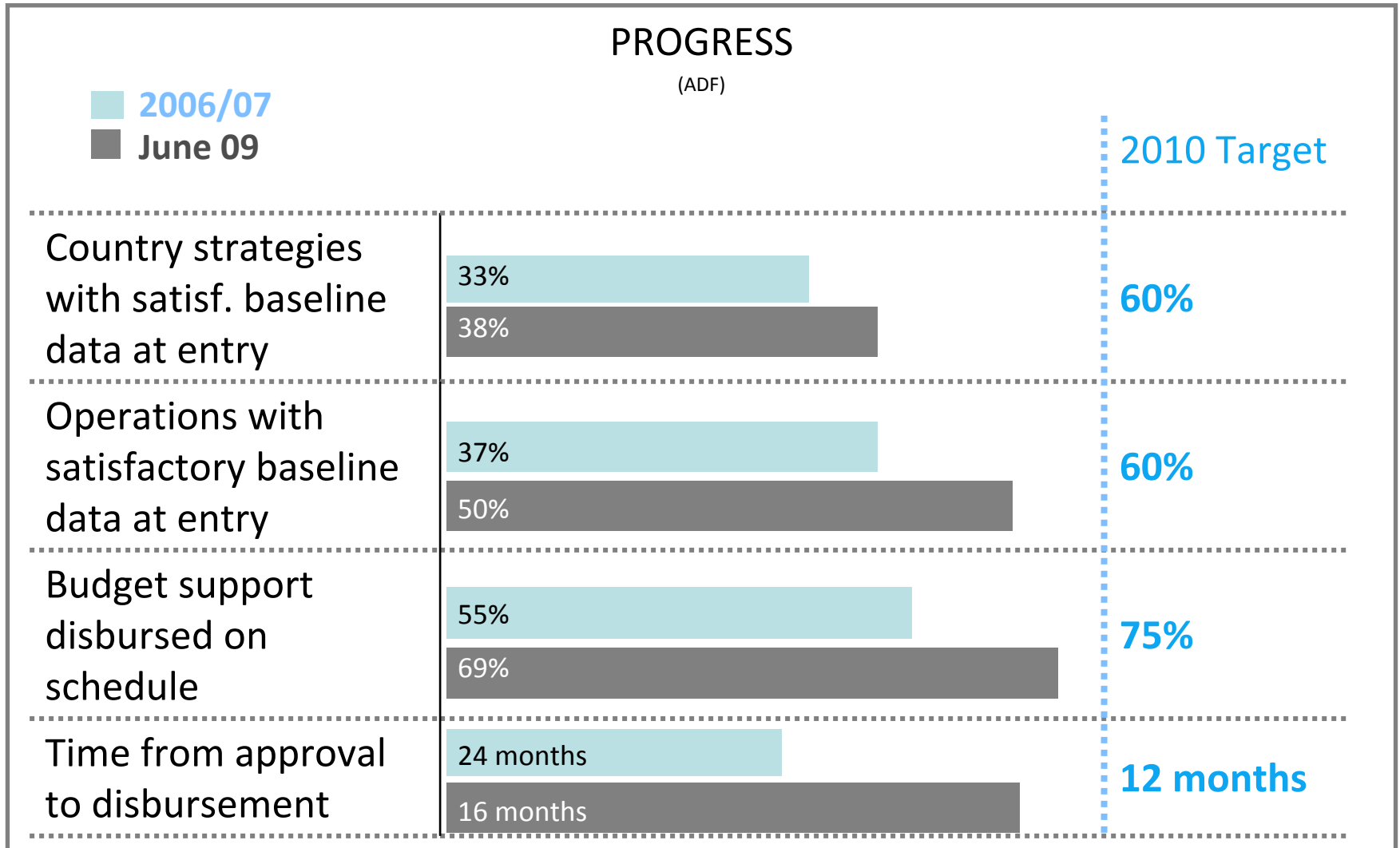


1. *Decentralisation*

CHALLENGE & OBJECTIVES

- 23 offices open across Africa for greater alignment, harmonisation & efficiency.
- Need for road map on decentralisation so that it yields full benefits.
- Step-up efforts on aid effectiveness to achieve Paris Declaration targets by 2010.

2. Quality at Entry



2. *Quality at Entry*

CHALLENGE & OBJECTIVES

- Ensure operational readiness even as resource delivery is accelerated in response to global crisis.
- Better articulate expected results through improved logical frameworks and related staff training.
- Mainstream Readiness Reviews for CSPs and Operations to ensure compliance with QaE standards and provide systematic feedback at concept and appraisal stages.

3. Supervision

PROGRESS

(ADF)

■ 2006/07

■ June 09

09/10 Target

Annual disbursement rate of on-going portfolio

18%

21%

22%

Share of operations supervised at least twice a year

36%

45%

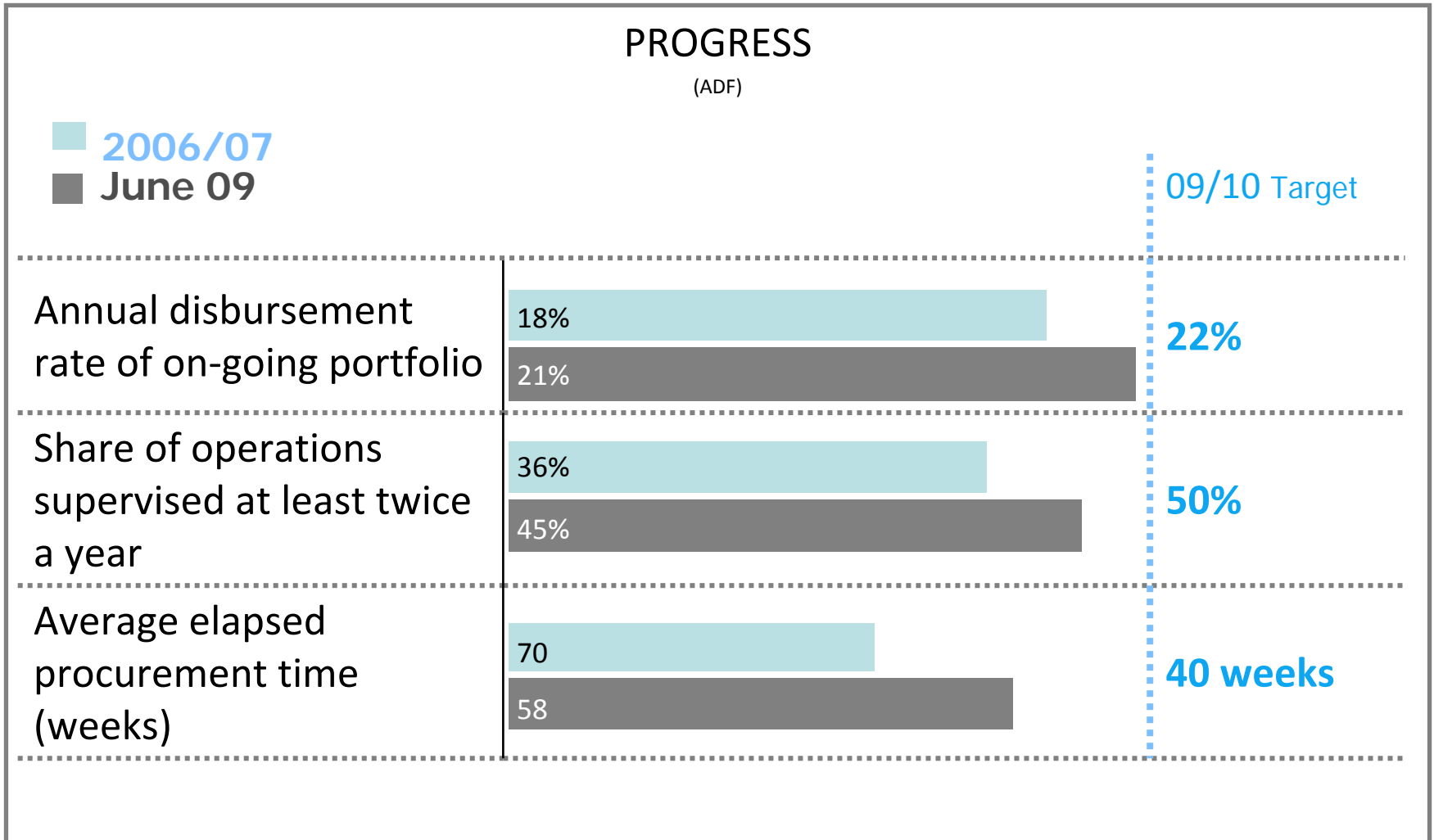
50%

Average elapsed procurement time (weeks)

70

58

40 weeks



3. *Supervision*

CHALLENGE & OBJECTIVES

- Revising and automating supervision reporting to focus on results.
- Empowering field staff to undertake results-based supervision.

4. Evaluation

PROGRESS



- ▶ 47% of 2008 PCRs have gender disaggregated data.
- ▶ 66% of 2008 PCRs have been prepared FOs, surpassing our target of 40%.

4. *Evaluation*

CHALLENGE & OBJECTIVES

- Maintain momentum gained in early 2009.

5. Data & Results Reporting

PROGRESS

- First MDB to adopt core output & outcome indicators in all key sectors.
- Prototype of a new Results Reporting System underway will strengthen focus on development results...
- ...and will contribute to more systematic reporting on Bank's contributions to development.
- Bank co-chairs OECD-DAC Global Partnership on Managing for Development Results.

5. Data & Results Reporting

CHALLENGE & OBJECTIVES

- Upgrade management information system architecture and associated skills.
- Implementing enhanced IT systems across the Bank.

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Thank You

ADF-11 Mid-Term Review