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## Background Note on ADF and IDA Collaboration

African Development Fund (ADF) and International Development Association (IDA)  
March 2016

## ACRONYMS AND ABBREVIATIONS

AAAA	Addis Ababa Action Agenda
ADF	African Development Fund
AfDB	African Development Bank Group
CGIAR	Consultative Group on International Agricultural Research
CPF	Country Partnership Framework
CPIA	Country Performance and Institutions Assessment
DMF	Debt Management Facility
EEA	Exposure Exchange Agreement
EES	Exposure Exchange Swaps
GAFSP	Global Agriculture and Food Security Program
GDP	Gross Domestic Product
HIPC	Highly-indebted Poor Countries
IBRD	International bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
JMAF	Joint Market Analysis Framework
LICs	Low-Income Countries
MAPS	Methodology for Assessing Procurement Systems
MDRI	Multilateral Debt Relief Initiative
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development – Development Assistance Committee
SDGs	Sustainable Development Goals
SE4All	Sustainable Energy for All initiative
SSA	Sub-Saharan Africa
WBG	World Bank Group

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## BACKGROUND NOTE ON ADF AND IDA COLLABORATION

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### I. Introduction

1. The co-chairs of the ADF Working Group on Innovative Approaches for ADF14 and the IDA17 Working Group on Long-Term Vision and Financial Sustainability requested that a “concept note” be developed on how ADF and IDA could collaborate going forward on key issues affecting both institutions.<sup>1</sup> Specifically, the request referred to the following five areas:
  - The case for future concessional assistance to Sub-Saharan Africa given the changing context of financial flows.
  - Issues such as the impact on debt sustainability of approaches to graduation and changes to lending terms.
  - An exchange of lessons on responding to common challenges such as reducing poverty in fragile states, responding to crises, enhancing climate change resilience, mobilising domestic resources, and catalysing private sector investment.
  - Exploration of the areas of comparative advantage of ADF and IDA, distinguishing between types of countries, sectors and cross-cutting themes, with a view to a possible division of labour.
  - Identification of operational areas where better cooperation between the AfDB and World Bank Group would enhance the institutions’ ability to achieve greater development results with African clients.
2. This note, which is jointly prepared by ADF and IDA staff, responds to the request from the co-chairs. It should be noted that a number of areas regarding this cooperation are also central topics for the ADF-14 and IDA18 replenishment negotiations. This includes issues around graduation, the financial terms of each institution, and debt sustainability.<sup>2</sup> Furthermore, issues related to comparative advantages are discussed in the respective ADF-14 and IDA18 strategic directions papers<sup>3</sup>. As these topics will be under active discussion in the coming months, the specific policy ideas and proposals are more appropriately dealt with in context of those respective papers. At the same time, it will be important to ensure that approaches are coordinated, and ADF and IDA staff maintain regular consultations and updates vis-à-vis the upcoming replenishment meetings during CY16. The first such consultation of staff from both institutions took place in Washington DC on February 18 and 19.
3. The following section provides an overview of the current development context for Multilateral Development Banks (MDBs), and for ADF and IDA in particular. The remainder of the paper explores how ADF and IDA collaborate to maximize development effectiveness in African countries. Section III reviews aspects of collaboration between the

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<sup>1</sup> See email sent by Richard Teuten (UK) to Charles Boamah (AfDB) and Joachim von Amsberg (WBG) on September 10, 2015. The em was co-signed by Jurgen Zattler (Germany), Tarun Bajaj (India); Alexia LaTortue (US) and Nomfundo Ngwenya (South Africa).

<sup>2</sup> IDA (March 2016). Review of IDA’s Graduation Policy, and IDA Financial Capacity and Leveraging Options.

<sup>3</sup> Strategic Directions for ADF-14 (March 2016); IDA (March 2016). Setting the Agenda for IDA18: Strategic Directions.

two institutions. Section IV identifies areas to deepen engagement, consultations and information-sharing in the context of ADF14 and IDA18 replenishments. Section V concludes the paper. Note that each institution will be issuing under separate cover a statistical annex with details of its activities in the Africa Region.

## **II. Development context affecting both institutions**

4. In the course of 2015, the global community reached a set of ambitious agreements on development, financing and combating climate change. The sustainable development goals (SDGs) and COP 21 bring together economic, social and environmental as well as climate change priorities. The Addis Ababa Agenda for Action (AAAA) addressed the challenge of financing sustainable development. At the same time, the clients of both institutions are facing mounting challenges, ranging from medium-term ones associated with the global economic slowdown (decelerated demand of commodities and the associated drop in their prices; slowing global trade; rising borrowing costs; decelerating capital flows, etc.) to more long-term vulnerabilities linked to fragility, changing climate patterns, natural disasters and epidemics.
5. The new global commitments and the emerging challenges have significant implications for the work of all MDBs. An important element will be to enhance the existing collaboration among the MDBs, and for ADF and IDA in particular, to build on their track record of joint and coordinated activities in Africa. In Africa, the ADF and IDA serve the same clients, assisting them to address complex challenges and to provide maximum added value. Greater and more effective ADF-IDA partnership will benefit clients by reducing overlap and duplication, and will ensure that both institutions learn from each other's experience through collaboration, knowledge exchange and communication. In fact, any significant progress towards the SDGs and the climate goals will necessitate not only the mobilization of substantial resources and capacity to deliver effectively, but also the bringing together of the best tools and knowledge to bear on complex problems. This in turn underscores the importance of strong partnership, collaboration, and information-sharing.

## **III. Existing collaboration**

6. Because ADF and IDA account for a significant portion of development assistance to Africa, this has placed a responsibility on both institutions to cooperate over the years in ways that serve the interests of their common shareholders on the continent and elsewhere. Indeed, the ADF and IDA have been cooperating with each other over many years on matters of common concern in Africa by collaborating in the provision of loans, technical assistance, policy advice as well as in knowledge generation and various international initiatives.

### *International and regional Initiatives*

7. The Second High Level Forum on Aid Effectiveness (i.e., the 2005 Paris Declaration) prompted both institutions into greater collaboration. Both the AfDB Group and the World Bank Group were signatories to the Declaration and its five central pillars of ownership, alignment, harmonization, managing for results and mutual accountability. Mention should also be made of the 2008 Third High Level Forum on Aid Effectiveness (where an even greater number and wider diversity of stakeholders endorsed the Accra Agenda for Action the reaffirmed commitment to the Paris Declaration and called for greater partnership between different parties working on aid and development).
8. In the 2015 paper entitled, “Billions to Trillions” that was prepared for the meeting of the Development Committee at the World Bank-IMF April 2015 Spring Meetings, the MDBs and the IMF committed themselves to substantially scaling up their collaboration, including at the highest level, as a key step forward towards the implementation of global commitments. For the first time, this paper presented a joint vision of how these organizations can contribute, within their respective institutional mandates, to support and finance achievement of the SDGs<sup>4</sup>. It describes the commitment of the MDBs and the IMF, collectively and individually, to build upon and scale up financial support including through private sector market-based products, technical assistance and policy advice to enhance the total contribution that they can make to global development.<sup>5</sup>
9. The Heads of MDBs Forum is a key venue for discussion and agreement to move forward on high profile issues of mutual concern and interest. For instance, initiatives recently agreed upon include the exposure exchange Agreement (EEA) which allow MDBs with heavily concentrated sovereign loan portfolios to develop more flexibility and efficiency in exposure management (see Box 1). During their last meeting in January 2016, MDB Heads agreed to move forward on three key initiatives regarding scaling up investment, responding to humanitarian crisis and addressing climate change issues (see Annex 1).
10. Both institutions are also already collaborating on several other crucial continent-wide and even global partnerships, such as the Consultative Group on International Agricultural Research (CGIAR) and the Global Agriculture and Food Security Program (GAFSP) and the Sustainable Energy for All initiative (SE4All).

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<sup>4</sup> From Billions to Trillions: MDB Contributions to Financing for Development. April, 2015

<sup>5</sup> The World Bank Group followed up with a paper in prepared for the Annual Meetings in October 2015, which demonstrates how the Bank has been re-organized to help countries achieve the SDGs. See “The World Bank Group Support for the 2030 Agenda for Sustainable Development”.

### **Box 1: The Exposure Exchange Agreement between MDBs**

Following the outset of the financial crisis in 2007-08, investors have regarded credit concentration as a key risk, no matter how creditworthy the counterpart. Rating agency methodologies have responded to this concern to various degrees, with Standard and Poor's (S&P) in particular, computing high capital charges for concentrated exposures. For regional multilateral development banks (MDBs) this has become a limiting factor. Concentration risk in the regional MDBs' sovereign-guaranteed (SG) portfolios is inherent to their business, which is characterized by: (a) a limited number of borrowers; and, (b) a distribution of loans to individual borrowing countries that typically mirrors the size of their economies. As a consequence, over the past few years, MDBs had been forced to reduce their exposure to those highly concentrated borrowing countries and/or allocate additional capital to cover the concentration risk.

This proposal for an Exposure Exchange Agreement (EEA) between MDBs represents an innovative risk management tool that greatly enhances the MDBs' flexibility and efficiency in exposure management. It emerges from intensive, inter-institutional collaborative work, including consultation with the respective Board of Directors/Governors, and it has recently been endorsed as a key working initiative by the G20 Action Plan to Optimize the Balance Sheet Capacity of MDBs.

An initial transaction between the AfDB, the Inter-American Development Bank (IADB) and the International Bank for Reconstruction and Development (IBRD) has been concluded in 2015.

#### *Policy dialogue*

11. For at least sixteen years, five MDBs including the AfDB and World Bank Groups have had technical level working groups dedicated to improving development impact and reducing administrative costs for their clients through the harmonization of operational procedures and practices. An inventory of MDB working groups compiled in 2013 shows that MDB staff collaborate across an impressive list of 100 initiatives that cover a diverse set of thematic areas, including sovereign debt, performance-based allocation systems (PBAS), procurement and fiduciary policy, portfolio reviews, project and program evaluation, operational policy and results measurement and reporting.
12. Through the PBAS Working Group for example, the AfDB and the World Bank Group (WBG) together with other MDBs coordinate the methodology for allocating concessional resources to low income countries. Likewise, both the ADF and IDA have been collaborating on debt issues through the implementation of the debt initiatives (HIPC/MDRI) and the related Debt Sustainability Analyses (DSAs). Joint ADF/IMF/WB missions are regularly organized in the eligible countries to assess the completion of triggers under the HIPC initiative and to gather information on debt issues. In addition, the two institutions actively participate in the annual Debt Management Facility (DMF) stakeholders' forum which brings together governments and officials from international organizations involved in debt issues. The objective of this forum is to discuss current challenges faced by developing countries in debt management and to foster knowledge exchange among participants. These meetings offer the opportunity for the two

institutions to share their experience on their respective non concessional borrowing policy. Furthermore, as part of the Country Policy and Institutional Assessment (CPIA), both the ADF and IDA have undertaken dialogue with beneficiary countries to promote good practices in terms of policy and institutional reforms. Finally, staff of ADF and IDA regularly attend each other's replenishment meetings as observers.

### ***Operations (Project) Level***

13. Under the principle of country ownership of development processes, there has been considerable cooperation between the ADF and IDA at operations/project level in their respective client countries aimed at maximizing benefits to borrowing and non-borrowing shareholders and to each institution. For example, both institutions regularly collaborate through (i) systematic consultations on country strategies and assistance plans; (ii) capacity building activities that mutually support operations and avoids duplication and overlap; (iii) participation in and support for country-level aid coordination, including on budget and sector support programs, led by government and in association with other development partners; and (iv) co-financing of certain operations.
14. Co-financing, in particular, is critical for achieving development impact as it reduces transaction costs for clients and entails multiplayer and leverages additional resources. From 2010-2015, ADF and IDA formally co-financed operations amounting to more than US\$4.0 billion in a wide a range of sectors including infrastructure and agriculture but also budget and institutional support (see Annex 2). In particular, co-financing resources from both institutions have supported important interventions in regional initiatives including in the Horn of Africa, the Sahel, and the Great Lakes. These interventions are operationalizing regional approaches to development and reinforcing policy messages that greater cooperation among countries can support peace, security and development. In addition to formal joint co-financing, ADF and IDA work together to find opportunities to provide parallel financing to government programs.
15. Overall, the benefits of operations-level collaboration between the ADF and IDA include: (i) for borrowing clients: more and better aligned resources, as well as reduced administrative costs associated with planning and reporting on the external development assistance provided by both institutions; (ii) for non-borrowing shareholders: greater development effectiveness in the use of scarce resources provided by them; and (iii) for the ADF and IDA: more cost-effective allocation and use of financial and other resources available to both institutions.

### ***Knowledge products***

16. ADF and IDA regularly collaborate on various knowledge activities given that the generation, application and dissemination of such knowledge lies at the heart of the development process. The ADF and IDA have distinct capabilities, as well as a shared responsibility, to put knowledge to work to gain a better understanding of the challenges and opportunities in Africa. Recent efforts include studies and knowledge products in the

areas of agriculture, infrastructure, competitiveness, and migration and remittances. Our formal collaboration is primarily on major regional studies. Over the last few years, we have formally co-written:

- Africa Competitiveness Report (ACR). The ACR is a biannual publication between the WBG, the AfDB, and the World Economic Forum to present a joint vision that can inform policies and help Africa transform its economies. The 2015 Report was the fifth ACR where the three institutions have partnered. The OECD is also a partner for the 2015 report.
  - Agriculture in Africa – Telling Facts from Myths is prepared jointly by the WBG, the AfDB, the FAO and research universities. The objective of the study is to provide governments, partners and private sector with a bottom-up update to guide investments, establish clear baselines and ground the policy dialogue on agriculture. The study revisits conventional wisdom about Africa’s agricultural sector, its farmers and their livelihoods.
  - Securing Africa’s Land for Shared Prosperity – A Program to Scale Up Reforms and Investments (2013) report was produced in collaboration with the WBG, the AfDB, the FAO and the Land Policy Initiative (LPI), the United Nations Economic Commission for Africa (UNECA) to spearhead the preparation and implementation of the Framework and Guidelines on Land Policy for Africa.
  - Africa's Infrastructure: A Time for Transformation (2010) study is part of the Africa Infrastructure Country Diagnostic (AICD), a project designed to expand the world’s knowledge of physical infrastructure in Africa. The AICD provided a baseline against which future improvements in infrastructure services can be measured, making it possible to monitor the results achieved.
  - eTransform Africa: The Transformational Use of Information and Communication Technologies in Africa (2012) captured the existing use of ICT in six sectors (agriculture, climate change, education, health, financial services, government) and two cross-cutting themes (regional trade and integration, ICT competitiveness). It further examined the immediate potential that could be realized with further attention by both the private and public sectors and makes recommendations for policymakers and development practitioners. The report was prepared jointly by the WBG and the AfDB in cooperation with the African Union.
17. We also collaborate on capacity building activities. For instance, the AfDB took part in a joint workshop on public sector debt statistics, with the World Bank and the IMF East AFRITAC (AFE) in Zanzibar during June 8-19, 2015 with 30 officials from seven East African countries, focusing on compilation, dissemination and harmonization of public sector debt statistics in East Africa.
18. Going forward, ADF and IDA will aim to strengthen collaboration in order to enable the production of better strategic knowledge products. In particular, ADF and IDA, through the Office of their respective Chief Economist, will share their pipeline of knowledge products

on a yearly basis with a view of partnering on some of them. Of particular importance are global perspectives on priority development topics about which IDA's mandate also extends beyond African but from which relevant lessons can be shared with the ADF.

### ***Procurement***

19. The AfDB and the WBG have been undertaking joint initiatives in procurement in line with the Paris Declaration. In addition to the Generic Partnership Agreement for which a specific multi-donor trust fund has been established, the AfDB and the WBG are also collaborating on the preparation of a Joint Market Analysis Framework (JMAF) and are undertaking the revision of the Methodology for Assessing Procurement Systems (MAPS). The JMAF intends to provide a better understanding of market characteristics including the structure, capabilities of firms, price trends, factors that may impact competition, risks, and potential fraud and corruption problems linked to private sector participation in public contracts. The MAPS will contribute to complying with the Paris Declaration on Aid Effectiveness and its commitments to support procurement reforms and strengthen national procurement systems and capacities, with the aim of using local procurement systems.

## **IV. Areas to deepen engagement and collaboration**

20. The SDGs set an unprecedented development agenda for African countries which are the ones with the most binding structural constraints, high fragility and which rely the most on concessional aid.
21. ADF and IDA are best placed to address these challenges as they have clear mandates to achieve inclusive and green growth in low income countries and a strong track record in operating in Africa. However, the SDGs will require combined efforts from MDBs to raise resources and also to scale up collaboration and implement innovative approaches. At the occasion of the Development Committee meeting of April 2015, the MDBs committed to work more closely together in increasing financing to address the SDGs challenges, shifting the development paradigm from Billions to Trillions. This will only be attained through greater collaboration aimed at crowding in private sector financing.
22. Against this background, both ADF and IDA Management have agreed, in principle, to strengthen cooperation in order to achieve greater development impact and efficient use of scarce resources. The proposed areas for collaboration include joint interventions at the operational level but also policy dialogue and global knowledge. Of particular significance are the commitments to scale up collaboration in the energy and agriculture sectors as discussed by the Presidents of both institutions at the recent Heads of MDBs meeting in January 2016.

### ***Energy***

23. The international community has recently come together to support Africa to tackle its energy deficit. Although Sub Saharan Africa is rich in energy resources, two out of three Africans have no access to power. Power outages cost African economies from 1 to 4

percent of GDP. Energy security can lift Africans out of poverty and is the engine that powers economies.

24. Universal access to energy will require strengthening institutions as well as considerable investments in generation and transmission. Africa needs to invest US\$65 to US\$90 billion per year to provide universal access. This is a significant increase in the US\$22.5 billion invested in the sector in 2014. IDA and ADF now finance approximately US\$2-3 billion annually.
25. Providing affordable, reliable, and sustainable access to electricity to Africans requires that public and private partners come together and invest in generation, transmission, distribution, and off-grid solutions. It also requires that MDBs work together to step up collaboration to bend the curve and also crowd in financing to increase connections. The private sector has a great role to play in filling the financing gap in this sector; ADF and IDA will have to think outside the box and develop innovative approaches aiming at leveraging more non sovereign financing.
26. The WBG and AfDB partner to support the Sustainable Energy for All (SE4All) initiative, which remains the global umbrella for the scale-up of energy access, renewable energy, and energy efficiency. The AfDB is the regional hub for SE4All and recently launched the New Deal on Energy for Africa, a Transformative Partnership on Energy for Africa with the aspirational goal of achieving universal access to energy in Africa by 2025. In addition, the AfDB is sponsoring the Africa Renewable Energy Initiative which was endorsed by African Heads of State and Ministers of Environment, the G7 and the G20. IDA support is anchored in the WBG energy direction paper which aims to support client countries in securing the affordable, reliable, and sustainable energy supply needed to end poverty and build shared prosperity. Both Banks share the vision of comprehensive support along the energy value chain – from generation to last mile solutions to get power into homes and businesses and are committed to scale up support to renewable energy development in the continent. Going forward, the two institutions aim to strengthen their support to countries as follows:
  - support countries to access affordable clean energy and modern energy services and technologies, including clean cooking stoves;
  - drive down costs of supply of energy;
  - interconnect power grids;
  - improve the efficiency of distribution companies; and
  - leverage the balance sheets of both institutions to crowd in private financing including through the provision of guarantees.

### *Agriculture*

27. African countries are the most food-insecure in the world. In addition, over 75 percent of Africa's poor are rural and most are engaged in farming. As Africa continues to urbanize, the need for a more productive and sustainable agriculture will be paramount to feed

Africa's cities (and reduce the continent's food import bill, where there is already a potential for saving over US\$2 billion using Africa's existing agriculture assets). Improved agricultural production and productivity can also provide more and better jobs in rural areas, since, despite urbanization, the total number of people living in rural areas will not decline in the foreseeable future. The agriculture sector, which employs over 60 percent of the workforce, is constrained by several factors including lack of infrastructure, limited mechanization and use of fertilizers, and inadequate land tenure framework.

28. Agriculture is already a priority for both institutions. As part of the Dakar Action Plan for Agricultural transformation<sup>6</sup> and key existing programs such as the Comprehensive African Agricultural Development Program, ADF and IDA will work together in the agriculture sector to increase agriculture productivity by adopting a business approach that will generate wealth and rapidly diversify low income economies. In Africa, agriculture is a sector that can attract much more private investment. ADF and IDA will endeavour to make agriculture operations more attractive to the private sector. More specifically, based on existing collaboration, ADF and IDA will work together in the agriculture sector through:

- sharing of project pipelines to identify potential co-financing arrangements;
- use of inputs from each institution's strategy documents; and
- joint analytical work on policy issues where a common voice may be helpful in providing assistance to governments and regional institutions.

#### ***Private sector and innovative financing***

29. Harnessing ODA to support private sector development fits within the broader context of better and smarter development financing, including crowding in private sector sources to achieve the SDGs in Africa. Collaboration aiming at optimizing balance sheets such as the EEA is an example of this effort. Similarly, lessons learnt from recent initiatives in ADF and IDA (e.g. ADF Private Sector Credit Enhancement Facility and IDA use of concessional partner loans) are being shared between both institutions.

30. Going forward, both institutions will further collaborate in the following areas:

- sharing experiences in innovative financing including access to capital markets to expand concessional resources; and
- sharing experience in providing access to low income countries to the non-concessional window to finance transformative projects.

#### ***Fragility***

31. Many countries in Africa are affected by fragility which exacerbates existing structural constraints and jeopardizes regional stability. In the context of strong demographic growth and lack of economic opportunities, fragility is an important driver of displacement of populations and migration. To address the sources of fragility, ADF and IDA will continue

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<sup>6</sup> The Dakar Action Plan for African Agricultural Transformation encompasses 18 objectives, including scale up nutrition programs, develop agro-allied industrial zones and agricultural corridors, deploy financing resources to the agriculture and agribusiness sector through private equity funds, etc.

to seek out opportunities to exchange information and experience. The recent Fragility Forum is a good example of how the two institutions are working together to identify new ways to address the underlying causes of fragility, conflict and violence.

### ***Regional integration***

32. Both ADF and IDA have a strong record and play an important role in promoting regional integration in Africa (see Annex 3 for examples). Both have also specific set asides to undertake operations at the multinational level which are grossly insufficient to meet the demand. Besides, these set asides only benefit ADF and IDA eligible countries, whereas regional integration is not limited to only these countries. There is, therefore, need to mobilize other financing options to address regional integration in Africa in a comprehensive way. It is proposed to have an annual meeting between staff in charge of regional integration of both institutions to discuss how to scale up financing to meet the huge demand and bring to the table other key actors, both bilateral and multilateral.

### ***Debt management***

33. Recent reports show that the HIPC/MDRI initiatives have enabled participating countries to reduce their debt burden significantly. Debt stock and debt service projections for the ADF/IDA countries that have received HIPC/MDRI debt relief have been significantly reduced. However, even after benefiting from HIPC/MDRI, several countries remain vulnerable to external shocks, making it difficult to realize the full benefits of debt relief as well as ensure their long-term debt sustainability. Furthermore, with limited and/or declining concessional resources, many ADF/IDA countries are increasingly looking into other options for mobilizing non-concessional resources, including issuing bonds on capital markets. To address these new challenges, greater collaboration between the AfDB and WBG will be crucial. The collaboration aims at ensuring debt data quality, monitoring and reporting, as well as building institutional debt management capacity in countries, as well as macroeconomic and fiscal management.

## **V. Conclusion**

34. In order to monitor the effectiveness of this collaboration, ADF and IDA will undertake regular consultations, at least once a year. These technical consultations will be in addition to the already existing high-level coordination mechanisms (respective presidents and senior management), through the various thematic MDB Forums, and at the field or operational levels. During such consultations, both institutions will also share information regarding their respective portfolio/pipelines and identify potential areas of collaboration and co-financing. In this regard, the ADF will partner with the WBG's "Deep Dive" initiative which already serves as coordination platform with some MDBs. It will be also an opportunity to push further the reflection on crowding in private sector and innovative financing.

35. At the same time it will be important to ensure that approaches are coordinated, and ADF and IDA's staffs are committed to ensuring regular consultations and updates with regard to preparation for each of the upcoming replenishment meetings during CY16. The first such consultation took place in Washington DC on February 18 and 19.
36. And as has been the case in the past, all collaboration between the ADF and IDA will be based on the generally accepted principles of development cooperation including:
- Country-led, comprehensive long-term approaches to development that are holistic in nature and address the multi-dimensional nature of sustainable, equitable growth and poverty reduction;
  - Partnership involving all development actors, with country governments in the lead, and sister institutions participating where they add value; and
  - Results-oriented cooperation linked to performance and built on transparent relationships of development assistance providers and recipient country clients alike.

## Annex 1: The MDB Heads Meetings

The MDB Heads meet three times per year. The last meeting held in Zurich, Switzerland, in January, 2016 resulted in MDB Heads agreement to enhance collaboration in the following areas:

- **On investment**, MDBs will put together a joint task force to share best practices in leveraging public and private sector investment, including developing a joint framework and methodology to measure the catalysing capacity of MDBs as intermediaries. A draft paper will be submitted to MDBs Heads prior to the Global Infrastructure Forum in Washington DC planned for April 2016, which will underline long-term financing requirements, innovative finance, and conditions for truly establishing resilient infrastructure as a new asset class and attract institutional investors and clarify how MDBs will meet the trillions required in infrastructure finance.
- **On the humanitarian crisis**, MDBs will prepare a paper for the Humanitarian Summit in May that summarizes MDBs experience in addressing refugee and migration issues and proposes how MDBs can intervene differently and scale up interventions in these areas.
- **On climate finance**, MDBs have recognized the need to work together on enabling policies to combat climate change, encourage the development and use of new technologies, mobilize resources including from private sector, and harmonize how we measure and monitor our commitments. The MDBs will develop a joint framework to be presented at the Spring Meetings in April 2016 that will mirror the Equator Principles financial institutions have endorsed to address environmental risk in project finance. The paper will recall the principles for climate targets adopted in Lima, discuss the use of subsidies, blended finance, project screening for climate change, accountability, attribution and coding when measuring project contribution to mitigation and adaptation, and identify joint investment opportunities.

## Annex 2: Examples of national projects co-financed by ADF and IDA

Project name	Description of the collaboration
<b>Democratic Republic of Congo</b>	The <i>Regional and Domestic Power Markets Development Project</i> finances the rehabilitation of generating units at Inga and works closely with AfDB. AfDB is financing the rehabilitation of one turbine of Inga I, the construction of the substation of Kimbanseke as well as the electrification of one part of Kimbanseke. The Bank Team coordinates with AfDB Team on implementation issues and their interfaces with the components financed by IDA to ensure proper implementation. In addition, the Bank is in discussion on additional needs identified, such as the rehabilitation of the LV network of Kimbanseke
<b>Ethiopia</b>	The Water Supply, Sanitation, and Hygiene Project (WaSH) is a multi-donor financed SWAp for Ethiopia on water supply, sanitation and hygiene (\$436 million). The Bank is contributing \$205 million (IDA) and AFD is providing \$90.2 million. The Bank has fiduciary and safeguards oversight role over this program as a whole. There is a strong working relationship between the two institutions (through the joint Technical Implementation Support missions, participation in technical working group, joint technical reviews, information-sharing and data exchange).
<b>Guinea</b>	Through the IDA funded <i>Economic Governance Technical Assistance and Capacity Building project (EGTACB)</i> and the AfDB's <i>Economic and Financial Management Capacity Building Project (PARCGEF)</i> , WBG and AfDB work together to implement PFM reforms. There are coordinated efforts to avoid duplications. For example, the AfDB is financing a study for the development of an integrated financial management information system (IFMIS), and the Bank is funding an IT company that will put in place part of the IFMIS. The two institutions also coordinate and harmonize trainings and capacity building activities. Finally, the two institutions share a Project Coordination Unit with same project Coordinator, procurement specialist, financial management specialist, M&E specialist.
<b>Nigeria</b>	The Water Sector Reform Project 3 is co-financed with AfDB which is providing US\$200 million to the Rivers State. In addition, the two projects are sharing the project management unit that is financed by AfDB.
<b>Niger</b>	The Niger River Water Resources Development Project is co-financed with 10 donors of which AfDB is a major contributor with the IDA. All mission are made jointly and extensive coordination is carried out between missions.
<b>Republic of Congo</b>	Support to Economic Diversification Project (PADE): PADE, from inception, has been designed, prepared, and executed jointly with AfDB's PACADEC. While the two projects have separate financing agreement, they share a common PIU, with the same coordinator and staff implementing both projects.
<b>Togo</b>	In Togo The World Bank and AfDB (IDA and ADF) have a close dialogue and collaborate as part of the community of Technical and Financial Partners (PTFs). The AfDB is currently preparing its 2016-2020 country strategy for Togo in parallel with the timing of the Bank Group's CPF preparation, and we are consulting with one another in preparing separate documents. IDA and ADF are, along with the other PTFs, supporting Togo's national development strategy, as defined in the 2013-2017 Strategy for Accelerated Growth and Employment Promotion ( <i>Stratégie de Croissance Accélérée et Promotion de l'Emploi, SCAPE</i> ). The main activity on which IDA and ADF are currently collaborating is the preparation of the 2016 PEMFAR (Public Expenditure Management and Financial Accountability Review), where we are collaborating with the AfDB on the assessment of the national procurement system. We are also undertaking an assessment of the macroeconomic context, public expenditures overall with a deep dive on Agriculture and Education sectors, and PFM reforms in the PEMFAR. IDA and ADF also collaborate on key macro-fiscal issues and the respective country economists are in constant contact. ADF has played an important role in supporting the establishment of the Togolese Office of Revenue, to strengthen tax revenue management. IDA and ADF (through our respective country economists) will also be collaborating together on the upcoming CPIA (already underway).

### Annex 3: Examples of regional initiatives co-financed by ADF and IDA

Project name	Description of the collaboration
<b>Eastern Electricity Highway Project</b>	The Bank is co-financing the converter station in Ethiopia with AfDB (80 percent IDA and 20 percent AfDB). The French development agency (AFD) is also involved. IDA is covering 100 percent of the converter station in Kenya while AFD and AfDB are covering the transmission lines. IDA procurement guidelines apply. The two institutions have joint supervision mission twice a year and the Bank and AfDB are leading the missions alternatively.
<b>Ebola</b>	The Ebola crisis provided an opportunity for the two Institutions to work together. For instance, AfDB and WBG (IDA and ADF) have collaborated to produce a Joint Post Ebola Epidemic Recovery for the Mano River. [elaborate]
<b>DRC Disarmament, Demobilization and Reintegration (DDR)</b>	To finance Disarmament, Demobilization and Reintegration (DDR) activities in the African Great Lakes (2002-2009), the Bank set up a multi-donor trust fund called the Multi-Country Demobilization and Reintegration program (MDRP), which was the largest DDR program ever established. The MDRP covered seven countries (Angola, Burundi, Central African Republic, Democratic Republic of Congo, Rwanda, Republic of Congo, and Uganda). It amounted to US\$500 million with a disbursement rate of 90 percent. Among the partners of MDRP was African Development Bank (AfDB), which co-financed the DDR Program in DRC when MDRP funds ran out. AfDB subsequently became the most important funder for the follow-on to the MDRP, the Transitional Demobilization and Reintegration Program (TDRP), which is set to close in December 2016.