

# AFRICAN DEVELOPMENT FUND



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**ADF-X/CM.2/2004/08**

An Annotated Outline for the  
Report of the ADF Deputies on the Consultative Meetings on the  
Tenth General Replenishment of Resources for the African Development Fund  
(ADF-X)

Consultations on ADF-X  
Kampala Uganda  
27-28 May 2004

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**An Annotated Outline for the  
Report of the ADF Deputies on the Consultative Meetings on the  
Tenth General Replenishment of Resources for the African Development Fund  
(ADF-X)**

**Introduction**

1. This annotated outline has been prepared for the consideration of Deputies at the Second Meeting of the Tenth Replenishment of the African Development Fund (27-28 May 2004, Kampala Uganda). The purpose of the outline is to solicit the views of Deputies on the structure and content of their Report with a view to ensuring that the draft Deputies' Report that will be submitted at the Third Meeting does indeed follow their directives and reflects the outcome of their consultations.

2. The annotated outline follows closely the general structure of the Deputies Report on the Ninth Replenishment of ADF. It, however, takes into account important developments and issues that have cropped up since the Ninth Replenishment, as well as some of the initial consensus arrived at the first meeting of ADF-X in Geneva in February 2004 on matters such as the strategic orientation of the Fund under ADF-X.

**Major Themes**

3. While the proposed annotated outline below indicates the specific contents of each section of the Deputies' Report, a number of major themes are expected to run through the Report, unifying it and giving it coherence. It is proposed that the following themes underpin the Report:

- While much remains to be done, a large number of African countries, and, in particular, ADF countries have, nonetheless, made notable progress in restoring macroeconomic stability and in establishing the conditions for growth and poverty reduction. For continued success, these efforts need the strong support of the international community. The ADF, reflecting a unique partnership between ADF donors and African countries, and strengthened by the measures taken to enhance its institutional capacity, is well positioned to play such a role.
- African countries should continue to deepen their governance and economic reforms in order to improve their investment climates and thereby accelerate economic growth. This is essential to reduce poverty and, more broadly, to make progress towards achieving the MDGs. The ADF should enhance its support to such efforts.
- African countries are increasingly taking ownership and responsibility for their own development, as evidenced by the new generation of PRSPs and the establishment of the NEPAD African Peer Review Mechanism. They should be encouraged to deepen such efforts and the ADF should continue to provide the required financial and technical assistance to such endeavors.
- The NEPAD initiative, as a homegrown initiative, is giving much impetus to the promotion of democratic governance, sound economic policies, and regional economic cooperation and integration efforts. In line with the leadership role that have been assigned to the Bank Group in regional infrastructure and in banking and financial

standards and its designation as a strategic partner, the Bank Group should continue to support this important initiative.

- Regional institutions, such as the ADF, should be strengthened to enable them to provide support to Africa's development efforts, both at the national and regional levels.

### **Annotated Outline**

#### **Section 1 – Introduction**

- A brief review of the Fund and the salient features of the ADF-X exercise will be presented to provide a background for the replenishment consultations.

#### **Section 2 – The Challenge of Economic Growth and Poverty Reduction in Africa**

- The first part of the section will provide a broad overview of economic and social development in ADF countries in recent years, particularly as it relates to the progress they are making with respect to achieving the Millennium Development Goals (MDGs). It will also review the progress made under major regional initiatives such as NEPAD.
- The second part will review the evolution of economic and policy reforms in ADF countries and the results achieved so far. It will also highlight the emerging differentiation among ADF countries both in terms of policy stance and economic and social results and, consequently, the varied challenges that the Fund faces in these groups of countries.
- The third part of the section will seek to place ADF in the broad context of the support that the international community is providing to the development efforts of ADF countries and the key challenges that remain.

#### **Section 3 – A Review of Fund Operations under ADF-IX and the Major Findings of The Independent Evaluation of Undertakings Under ADF VII-IX**

- The first part of the section will review the Fund's operations under ADF-IX with respect to the:
  - Development of the Fund's policy framework
  - Adherence to such strategic guidelines such as country ownership, selectivity, and participatory approaches
  - Degree of focus of the Fund on its operational priorities
  - Measures taken to establish a results-based management framework
  - Partnership with bilateral and multilateral organizations, and
  - Measures taken to strengthen the institutional capacity of the Bank Group.
- The second part of the section will highlight the major findings of the independent evaluation of the Fund's undertakings under ADF VII-IX.
- The third part of the section will identify the key challenges facing the Fund under ADF-X, based on the review of operations under ADF-IX and the major findings of the independent evaluation

#### **Section 4 – The Strategic Orientation and Policy Objectives of Fund Operations Under ADF-X**

- The first part of the section will indicate the strategic orientation of Fund operations under ADF-X, namely, poverty reduction and productivity growth but with greater emphasis given to accelerating economic growth in ADF countries
- The second part will specify the key policy objectives that Deputies are expected to identify as critical for the Fund's operations under ADF-X.

#### **Section 5 – The Operational Priorities of the Fund under ADF-X**

- The operational priorities of the Fund under ADF-X will be indicated in this section, along with the specific directives that Deputies may give for the Fund's engagements in each area.
- The operational priorities for ADF-X are expected to be in line with the Vision and the Strategic Plan of the Bank Group, namely, agriculture and rural development – including *rural water supply and sanitation* – education, health, private sector development, good governance, regional economic cooperation and integration, gender mainstreaming, and environment and sustainable development.
- In addition, the section will specify the key role that Deputies believe the Fund should play in supporting *post-conflict countries* in line with the Fund's proposal, as well as *support to the NEPAD initiative*.
- The last part of the section will indicate the additional steps that the Fund will take -- such as, for example, enhancing its partnership with other organizations -- to enable it to meet its goals and objectives.

#### **Section 6 – Results Measurement and Enhancing Development Effectiveness**

- The section will indicate the measures that the Fund will take under ADF-X to make it a results-based managed institution.
- It will also indicate the importance of partnership with sister institutions in this area.

#### **Section 7 – Country Eligibility, Resource Allocation System and Terms of ADF Financing**

- The section will specify country eligibility to Fund resources in line with the creditworthiness criteria used by the World Bank
- It will also indicate that the allocation of resources to countries will be in line with the Fund's Country Performance Assessment (CPA) system. Modification to the CPA that Deputies may have agreed to will be indicated.
- The terms of ADF financing (loans and grants), reflecting the work of the IFIs on a broad *forward-looking definition of debt sustainability* will be specified.
- The specific allocation of Fund resources by end-use will, in addition, be indicated.

#### **Section 8 – Analytical Tools and Financial Instruments**

- The section will specify the various analytical tools – country strategy papers (CSPs), regional strategy papers (RSPs), country dialogue papers (CDPs), etc., that the Fund

will use to frame its support to individual ADF countries as well as to regional integration efforts.

- The financial instruments that the Fund will use – project loans and grants, policy-based operations, etc. – will also be indicated.
- The section will also indicate the manner in which the different analytical tools and financial instruments will be adapted to reflect the needs of the different groups of ADF countries

#### **Section 9 – Organization, Management and Staffing Issues**

- The views of Deputies on organizational matters – such as the recommendations of the decentralization study – management, and staffing issues as these relate to enhancing the Fund's operations will be indicated in this section.

#### **Section 10 – Membership of the Fund**

- The views of Deputies with respect to membership issues, e.g., steps for enlarging Fund membership, etc. will be reflected in this section.

#### **Section 11 – Management of ADF Resources**

- The section will review the management of ADF resources and will reflect any directives that Deputies may give on the matter.

#### **Section 12 – Target Replenishment Level and Other Resources for ADF-X**

- The level of replenishment agreed to by Deputies and any other matters related to the ADF-X replenishment level will be indicated.

#### **Section 13 – Mid-Term Review**

- The terms of reference for the ADF-X mid-term review and its timing will be specified.

#### **Section 14 – Approval**

Annex I – Subscription and Other Resources for the ADF-X period

Annex II – Standard Encashment Schedule

Annex III – Working Papers for the ADF-X Consultations