

**Second Meeting of the Consultations on the Tenth Replenishment of the
African Development Fund (ADF-X)
27-28 May 2004
Kampala, Uganda**

Chairman's Summary

1. The second meeting of the ADF-X Consultations were held in Kampala, Uganda from 27 to 28 of May 2004 under the chairmanship of the Coordinator of the consultations, Mr. Sven Sandstrom. Ministers from Burundi, Ethiopia, and Zambia took part in the meetings representing borrowing countries. They gave their views on the subjects discussed at the meeting and, in particular, supported a significant increase in the ADF-X replenishment level.

2. Mr. Omar Kabbaj, the President of the Bank, welcomed the Deputies and outlined the key issues raised in the papers prepared for the meeting. He also noted the strong support expressed by Governors for the work of the Bank Group at the just-completed Annual Meetings and appealed to the Deputies for a significant increase in the ADF-X replenishment level.

3. The lead consultant of the independent evaluation of ADFVII-IX presented the preliminary findings of the evaluation. The main findings were: (1) the Bank has responded in an impressive manner to the directives given under the three replenishment exercises and other recommendations such as the Knox Report, and (2) there is some unfinished business which could be done incrementally and through further consolidation. The consultant noted that, following this period of institutional revitalization, the Fund is now at a strategic crossroads with respect to its future role on continent. Deputies commended the consultant for the quality of his analysis and presentation.

4. Deputies discussed the Action Plan to Improve the Implementation of ADF Operations. They welcomed the Plan and noted that it was ambitious and comprehensive. They asked that the proposed actions be prioritized, clear indicators to assess results be established, and the time frame for each action be clearly spelt out. They also requested that it be harmonized with the recommendations of the independent evaluation. A revised action plan would be presented at the next meeting, and progress will be reviewed at the mid-term review of ADF-X.

5. Deputies discussed the proposal for the decentralization of Bank operations, with increased delegation of authority, and the plan to accelerate the opening of additional country offices. They welcomed the proposal, emphasizing that a critical element for success is a prudent approach ensuring also that the right personnel are posted in these offices.

6. Deputies discussed the Bank's Rural Water Supply and Sanitation Initiative. They welcomed the proposal but stressed that the Fund's involvement for water and sanitation, at the country level, should be determined through the PRSP process and channeled through the normal ADF country allocation system in coordination with other initiatives in the sector. In addition, Deputies requested Management to develop a more comprehensive plan for the implementation and financing of the Initiative.

7. Deputies discussed the Framework for Clearing the Arrears of Post-Conflict countries. They welcomed the proposal and asked management to take into account the comments made by Deputies at the meeting and submit the revised proposal at the next meeting. They also provided a positive initial response to Management's proposal that UA 50-60 million of cancellations under ADF-IX be used as the initial contribution of the Fund to enable it to provide assistance to the early post-conflict countries in advance of the establishment of the Framework. The proposal will be submitted to the ADF Board of Directors. Deputies encouraged management to prepare a joint information note with the other IFIs on their coordinated arrears clearance policies and practices, while noting that this will not be a condition for moving ahead on the Framework.

8. Deputies discussed the proposal for compensating the Fund for the loss of refloes due to higher level of grants under ADF-IX and agreed on the approach to be followed. They also affirmed their commitment to maintain the financial strength of the Fund in the future.

9. Deputies reviewed the Annotated Outline for the Deputies' Report and provided guidance on its preparation.

10. Deputies agreed that the third meeting will be held in Tunis, during 16-17 September 2004. The documents to be submitted are listed in Annex I.

Annex I

Documents for the Third Meeting of the Consultations on ADF-X

1. Independent Evaluation Report
2. Revised Action Plan to Improve Implementation
3. Revised Framework for Clearing the Arrears of post-conflict HIPC's
4. Private Sector Strategy
5. The Emerging Debt Sustainability Framework and its implication for ADF
6. Replenishment Scenarios and related information
7. Draft Deputies Report