

**African Development Fund (ADF)  
Second ADF-11 Replenishment Meeting  
Tunis, Tunisia - 11-12 June 2007**

***Chair's Summary***

1. ADF Deputies, joined by Representatives of Regional Member Countries and International Development Institutions, met in Tunis, Tunisia, on 11-12 June 2007. The Minister of Development and International Cooperation of Tunisia, H.E. Mohamed Nurri Jouini, opened the meeting. He underlined the unique pan-African character of the Bank Group, drew attention to the need for increased financing with greater predictability, for greater country ownership of the development process and for the Bank to continue to sharpen its focus on key sectors. The ADB President, Dr. Donald Kaberuka thanked the Government of Tunisia for temporarily hosting the Bank Group and for the warm hospitality extended to delegates. He emphasized the current window of opportunity for Africa's development and the ability of the Bank Group to meet the demands of its Regional Member Countries. He noted the improved capabilities of the Group and welcomed the renewal of donors' Gleneagles commitments, while urging donors to avoid establishing new conditions or prescribing new mandates for the Bank Group.

2. The meeting was chaired by Sven Sandström who summarized the overall objective for the meeting as moving towards common ground in three areas: (i) strategic directions; (ii) lending scenarios and financing framework; and (iii) themes to be addressed by the Deputies Report. Participants commended ADF Management and staff for the quality and timeliness of the documentation for the meeting.

***Strategic Directions***

3. Participants strongly supported the increased selectivity in the proposed areas of focus, namely infrastructure, governance, regional integration and fragile states, which optimize the strengths of the ADF in the wider context of the changing international aid architecture. They noted the important linkages between these focal areas and the Bank's ongoing work in agriculture and human development and reiterated that cross cutting issues, such as gender and clean energy, should be integrated with the focus areas.

4. To strengthen the case for the strategic directions, and also for the lending scenarios, participants asked for further information in two specific areas: (i) the broader vision for ADF in the medium to long term, including the role of ADF in the overall aid architecture (setting out, inter alia, the complementarity of institutions) and also taking into account the forthcoming recommendations of the High Level Panel, and (ii) results achieved under ADF-10, those expected under ADF-11 and a framework for monitoring and reporting on the latter.

***Lending Scenarios and Financing Framework***

5. Participants reviewed alternative lending scenarios presented by ADF Management and discussed ambitious but realistic replenishment levels. They agreed that the current scenarios should be supplemented by additional central scenarios. They emphasized the importance of performance based allocation of lending resources and the need for restraint in the use of set-asides.

6. Deputies discussed the structural gap and the interlinked question of burden shares, indicating a range of views reflecting individual circumstances. They agreed to focus first on the overall level of the replenishment and on individual contributions while, second, also considering the emerging burden sharing pattern. Illustrative burden sharing scenarios with only a small technical gap will be prepared for the next meeting.

7. Deputies urged ADB to increase the level of resource transfers to ADF and to reflect such higher transfers in the ADF-11 financing tables to be considered at the next meeting. ADF management will also provide updated information on MDRI and grants compensation for the next meeting. The proposed standard encashment schedule as well as the basis for determining the discount rates for ADF-11 (currency specific CIRR minus 100 basis points) were agreed.

***Fragile States***

8. Participants broadly supported the proposed revised strategy while requesting further clarifications with regard to a range of issues, including complementarity with other institutions and clearance of arrears. Most Deputies favored the option of a separate facility (Option 3), while others were inclined towards Options 1 or 2. Participants urged close coordination with the MDB Working Group on fragile states. It was agreed that Management would prepare a revised Board paper reflecting the discussion. This paper would be reviewed by the Board in an informal meeting and, on the basis of this discussion, Management would prepare a short note identifying any outstanding issues to be resolved by Participants at their next meeting.

***Multi-National Operations / Regional Integration***

9. Participants supported an expansion of ADF's work on regional integration along the lines proposed. They emphasized, however, the need to clarify numbers, simplify and clarify procedures, tighten definitions and outline collaboration with other agencies. They also requested more information on results under ADF-10, those expected under ADF-11 and measures to monitor and report on the latter. It was agreed that Management would prepare a revised paper reflecting the discussion. This paper would be reviewed by the Board in an informal meeting and then submitted to Participants for their next meeting.

***Procurement - Rule of Origin***

10. Regional member countries and many Deputies supported Management's proposal to open up procurement to non-members, noting that it would improve the effectiveness and development impact of the Fund's operations and be consistent with the Paris Declaration. However, some Deputies questioned whether a change was necessary now, and whether it might reduce the incentives for new members to join the Bank. They also noted the need for more information on the costs of the current rule and the benefits of a change. The next step will be for a paper reflecting the discussion and providing the requested additional information to go to the Board of Directors for their consideration.

***Deputies Report***

11. Participants discussed an annotated draft outline of the Deputies Report and provided comments that will be reflected in a full draft of the report to be considered at the next meeting.

***Other Matters***

12. Participants decided that the Third meeting should be held on September 20-21 in Bamako, Mali. Participants welcomed the intention to invite members of the High Level Panel to this meeting. The Fourth and final meeting would be held on December 11-12 in London, UK. Participants warmly thanked the Governments of Mali and the UK for offering to host the meetings.

13. Participants agreed on a preliminary list of subjects and papers to be discussed at the upcoming meetings, as set out in the Annex.

14. Participants expressed their appreciation for the warm hospitality and the excellent facilities provided for the meeting.

**ANNEX**

**ADF-11 Meetings – List of Papers**

**Third Meeting**

Discussion Papers

Draft Deputies Report

Resource Allocation under ADF-11

ADF-11 Replenishment Scenarios and Financing (supplemented by illustrative burden sharing scenarios)

ADF Governance

Fragile States Framework

Multinational Operations Framework

Background Papers

Report on ADF progress with regard to the Paris Declaration on Aid Effectiveness

Progress Report on Institutional Reform, including Human Resource Reform

Results achieved under ADF-10

ADB Medium-Term Strategic Plan – Status Report

Update on Gender Action Plan

Update on MDRI and grants compensation

**Fourth Meeting**

Deputies Report

ADF-11 Operational Priorities and Financing