

**African Development Fund (ADF)
Third ADF-11 Replenishment Meeting
Bamako, Mali 19-21 September 2007**

Chair's Summary

1. ADF Deputies, joined by Representatives of Regional Member Countries and International Development Institutions, met in Bamako, Mali, on 19-21 September 2007. The President of the Republic of Mali, H.E. Amadou Toumani Toure, opened the meeting. He highlighted the key role played by the African Development Bank Group in Mali's development and its importance as an African development institution. The ADB President, Dr. Donald Kaberuka, thanked the Government of Mali for the warm hospitality extended to delegates and the strong support to the Fund demonstrated by the official opening of the meeting by President Toure. He emphasized the importance of devoting more resources to support fragile states and to regional operations, with benefits to the whole continent, and re-affirmed the Fund's full commitment to results, while acknowledging the inadequacy of Management's preparations for the meeting on this subject. Members of the High Level Panel also attended the meeting. The preliminary conclusions of the Panel were presented by President Chissano of Mozambique and were discussed with participants in plenary as well as bilaterally.

2. The meeting was chaired by Sven Sandström who summarized its overall objectives as (i) reaching closure on major policy issues, including the policy and financing frameworks for Fragile States, Regional Operations and Performance Based Allocations (PBA); (ii) narrowing the range of replenishment scenarios; (iii) providing guidance on the Deputies' Report to enable Management to prepare an essentially final draft well before the London meeting in December and (iv) agreeing on any further analyses and information required by Deputies to reach a decision in principle on the size of their contributions by the time of the London meeting.

Fragile States and Regional Operations

3. Participants reiterated support for the special initiatives for enhanced engagement in fragile states and regional integration, while emphasizing the need to protect the centrality of the PBA mechanism. They agreed on key policy aspects of the two frameworks and emphasized the need for close coordination with other actors. They further requested that monitoring and evaluation frameworks be prepared before their December meeting and that implementation be discussed at the ADF-11 Mid-Term Review (MTR). Discussion of implementation should include the specific development impact of fragile states and regional operations interventions.

4. With regard to fragile states, participants specifically agreed on the list of states that currently meet the criteria of the framework. They agreed to eliminate minimum allocations from the base against which supplemental allocations would be calculated. They requested that the current PCCF and related policies be evaluated before the December meeting and that any agreed changes be reflected as the PCCF is folded into the new Fragile States Facility. They emphasized that specific contributions for arrears clearance from Bank net income should be considered in addition to the Bank's overall contribution to the ADF-11 replenishment, in line with the approach under ADF-10.

5. With regard to regional operations, participants agreed that as a norm cost sharing out of country PBA allocations would be set at one third of project costs and that a cost-sharing cap would apply to small countries. They also discussed whether it might be possible for the Board to approve exceptions to the cost sharing norm for medium and large countries on a limited case by case basis provided that they meet specific criteria (such as the importance of the country in providing coastal access to land-locked countries). This question was not fully resolved, pending resolution of the larger question of the regional operations set-aside. Participants agreed not to have a separate set-aside for Regional Public Goods (RPGs). They requested a clearer definition of RPG activities to be undertaken, with specific examples. They emphasized that all regional operations, including those for RPGs, should be fully aligned with the strategic priorities agreed for ADF-11.

6. Participants discussed prospective funding envelopes for each of the two initiatives, and in particular their relationship to the volume of resources determined by country-level PBA, and agreed that further analyses

and clarifications were required before reaching a final decision. Hence, staff will as soon as possible present analyses that demonstrate the impact of funding envelopes of 5-7% and 15-20% for fragile states and regional operations, respectively, on: (1) the share of the replenishment that will be directly determined by the PBA, the share that will be linked to the PBA, and the share that will be independent of the PBA, and (2) the absolute amount of resources that would be available for each of the two initiatives in each of the replenishment scenarios (and, in the case of regional operations, with and without the one third PBA country allocation). All analyses will make the relevant comparison to ADF-10.

Resource Allocation

7. Participants emphasized the importance of the PBA system remaining the key driver of allocations under ADF-11, as reflected in the discussion of set-asides for fragile states and regional operations. With regard to the PBA methodology itself, participants agreed to the proposed elimination of the “double counting” of governance in the formula, provided that the current weight of governance in the PBA system does not decrease, including the weight of the procurement element in the governance factor. They supported the proposal to address sequencing issues with regard to the CPIA exercise and DSF classification and agreed on the proposed revisions of the CPPR. A range of views were expressed on the proposal to hold population and income factors constant during the three-year replenishment cycle and alternative proposals were made by participants. Management will therefore carry out further analyses of options to address the volatility induced by swings in the population and income data, including the use of moving averages, and submit a revised proposal well before the December meeting.

Lending Scenarios and Financing Framework

8. Participants discussed the replenishment scenarios presented by Management. They confirmed their strong commitment to increasing aid to Africa and expressed their support for the Fund as a key vehicle for this purpose. They reaffirmed their commitment to a realistic and ambitious replenishment level. Many participants expressed support for the central scenarios (with an overall increase in the range of 40% to 60%) while others noted that they would not be able to provide individual contributions matching such an overall increase. It was emphasized that it is the sum of the individual efforts that counts. Participants further emphasized that their final decisions would to a large extent depend on the results that the Fund has delivered during ADF-10 and plans to deliver during ADF-11, which have not yet been adequately set out. They also noted that their contributions would depend on the outcome of the continuing discussion of the set-asides for fragile states and regional operations.

9. There was broad support for a structural or technical gap of no more than 5%. Participants emphasized the need for all donors to provide unqualified commitments for MDRI compensation in a timely manner and many emphasized the importance of doing so by November in order to increase the advance commitment capacity of the Fund and, hence, reduce the need for new donor resources. They requested an update on the MDRI and MDRI compensation at the time of the MTR. Participants supported the proposed grant compensation framework.

Governance Structure of the Fund

10. Participants discussed the paper on *Options for a Comprehensive Framework for Enhancing the Governance Structure of the ADF*. They expressed broad support for the guiding principles and the approach to develop a specific proposal for review by the Boards of Directors and requested that a final decision be taken at the 2008 annual meeting. Participants emphasized that they should remain involved in the process; specifically, any proposal for change in the replenishment process should be submitted to the participants for review and decision.

Focus on results

11. Participants emphasized the need for the Fund to better demonstrate results, both past and future. They urged the Fund to audit and quantify results in a more systematic and analytical way. They made a number of conceptual and methodological suggestions for how to proceed while acknowledging that this is a challenging subject, that attribution is elusive, and that the development community at large is testing and learning from alternative methodologies. It was noted that the presentation of the Mozambique case had been

helpful in that it focused on both overall country results and how ADF had contributed to these results. Participants generally felt that illustrative examples, such as those presented by Management, were helpful but that it was more important to provide aggregate and thematic perspectives that would tell a story and provide the big picture of ADF achievements and results. Management will submit a new paper on ADF results in October.

12. Participants felt that the proposed Results Monitoring Framework for ADF-11 was a good start on which to build further. They noted that the tier approach is promising and asked for more clarity on the links between the tiers and to ADF contributions at the country level. It was felt that the framework and its indicators should provide a good sense of the connection between resources and results and that intermediate achievements and ultimate results should be measurable and linked to the extent feasible. It was recognized that some indicators would have to be qualitative. Participants suggested that more attention should be given to ADF strategic priorities and to subjects and targets to be discussed at the MTR.

13. Participants offered to work with staff over the coming weeks to help develop the paper on ADF results and the Results Monitoring Framework. Management in turn indicated that it would shortly submit proposals to participants for their review and advice.

Deputies' Report

14. Participants discussed the first draft of the Deputies Report, which they considered a good start. They felt that the main elements were covered, with results being the main exception; it should be addressed in the text as well as in the proposed annex. They emphasized that the report should be as short and sharp as possible and that it should focus on the policy agreements reached. It should be frank, honest and balanced in its presentation of ADF as an institution, including in the discussion of ADF as a partner of choice. Participants felt that cross-cutting issues and their impact should be better addressed, including climate change, HIV/AIDS, governance and conflict. The need for stronger dialogue with other institutions in sectors from which ADF is withdrawing as it sharpens its selectivity was emphasized. The report should be clearer on the important role of Regional Economic Communities and how ADF would work with them. Participants emphasized that additional resources through a significant replenishment must be accompanied by a strong and independent evaluation unit and a staff evaluation system focused on delivering results and asked that the report address this as well.

15. Several participants indicated that they would provide written suggestions for the Deputies' Report immediately following the meeting. Management in turn indicated that they would distribute a revised draft report as soon as possible in October, with a view to reaching closure on as many elements of the report as possible before the December meeting through further exchange of views.

Other Matters

16. Participants agreed to hold their fourth and final meeting on December 10-11 in London, UK. They also agreed to plan for a short informal meeting in Washington, DC on or around October 24, during the World Bank and IMF annual meetings, to attempt to reach closure on outstanding policy issues and particularly on the funding envelopes for fragile states and regional operations.

17. Participants expressed their appreciation for the warm hospitality of the Mali authorities and the excellent facilities provided for the meeting.