

Options to Improve the Cost-Effectiveness of the Replenishment Process

Background Paper

ADF-11 Mid-Term Review
October 2009
Helsinki, Finland



AFRICAN DEVELOPMENT FUND

Executive Summary

The African Development Fund (ADF) is replenished every 3 years in a process that generally involves approximately 120 people meeting four to five times, in different cities around the world, over the course of 9 months. The meetings serve to discuss the results of the previous 3 years, to define the priorities and the volume of resources for the coming 3 years, to shape the Fund's policy framework and to guide the institution in effectively implementing its development program.

Questions have been raised about the cost-effectiveness of this process. These questions were explored through a survey of ADF Deputies. The concerns addressed in the survey were as follows: the match between the 3-year funding cycle and the 4 to 5-year programming of ADF operations (in alignment with National Development Plans) and its effects on long-term development; the predictability of funding for recipient countries; the time lapse between the conclusion of the replenishment discussions and the entry into force of the replenishment; the advisability of having discussions regarding the replenishment of various funds take place at the same time; the cost of the entire process in terms of time and human and financial resources; and donor countries' oversight of the ADF.

This paper explores ways that the replenishment process could be modified in order to improve its efficiency and effectiveness. The key objective is a replenishment process that serves the interests of the ADF as well as possible. The modifications explored here are the following: (i) lengthening the replenishment cycle from 3 to 4 years, (ii) concluding the replenishment discussions earlier than is present practice, (iii) holding fewer meetings per replenishment, (iv) holding meetings at the Bank's current location, (v) organizing meetings so that they are back-to-back with other international events, and (vi) streamlining the number of meeting participants. These modifications have been evaluated against a set of dimensions which correspond to the concerns expressed. On the basis of this evaluation, Management submits the following proposals:

- To conclude the replenishment discussions well in advance of the date of entry into force, preferably 6 months beforehand. This would mean that the ADF-12 discussions would be concluded in July 2010 and the replenishment would be fully effective on 1 January 2011;
- To maintain the 3-year replenishment cycle for ADF-12 (2011-2013) but to consider introducing a 4-year cycle as of ADF-13 (2014-2017);
- To attempt to streamline the replenishment process to three formal meetings, depending on the depth of the policy discussions foreseen. If more extensive discussions are necessary, the customary four meetings would be maintained; and
- To hold informal Deputies' meetings on the margins of the Bank Group Annual Meetings (or on the margins of other international events) in order to maintain regular face-to-face contact with Deputies.

Management welcomes other suggestions from Deputies with regard to improving the cost-effectiveness of the replenishment process.

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Abbreviations

| | |
|---------|--|
| ADB | African Development Bank |
| ADF | African Development Fund |
| ADF-11 | Eleventh General Replenishment of the African Development Fund |
| ADF-12 | Twelfth General Replenishment of the African Development Fund |
| ADF-13 | Thirteenth General Replenishment of the African Development Fund |
| AsDF | Asian Development Fund |
| AsDF-8 | Eighth General Replenishment of the Asian Development Fund |
| AsDF-9 | Ninth General Replenishment of the Asian Development Fund |
| AsDF-10 | Tenth General Replenishment of the Asian Development Fund |
| EDF | European Development Fund |
| EDF-8 | Eighth Replenishment of the European Development Fund |
| EDF-10 | Ninth Replenishment of the European Development Fund |
| GFATM | The Global Fund to Fight AIDS, Tuberculosis and Malaria |
| IDA | International Development Association |
| IDA-14 | Fourteenth General Replenishment of the International Development Association |
| IDA-15 | Fifteenth General Replenishment of the International Development Association |
| IFAD | International Fund For Agricultural Development |
| IFAD-7 | Seventh General Replenishment of the International Fund For Agricultural Development |
| IFAD-8 | Eighth General Replenishment of the International Fund For Agricultural Development |
| RMC | Regional Member Country |
| TRA | Temporary Relocation Agency |
| UA | Unit of Account |

OPTIONS TO IMPROVE THE COST-EFFECTIVENESS OF THE REPLENISHMENT PROCESS

1. Introduction

- 1.1 During the Eleventh General Replenishment of the African Development Fund (ADF-11) replenishment discussions in 2007, it was agreed that the African Development Bank (ADB or the Bank) would produce a paper on the cost-effectiveness of the replenishment process for discussion at the ADF-11 Mid-Term Review. The replenishment process currently takes place every 3 years and consists of four to five large meetings in various locations over the course of 9 months, in addition to a Mid-Term Review that takes place approximately 18 to 20 months later. The process also includes numerous contacts between meetings. Deputies were accordingly surveyed to explore issues related to the replenishment process and the possibilities for improvement.
- 1.2 A number of concerns with the current replenishment process came forward:
- The match in timing between the 3-year replenishment cycle and the 4 to 5-year programming of African Development Fund (ADF) operations and National Development Plans;
 - The predictability of funding for recipient countries;
 - The length of time between conclusion of the replenishment discussions and the point at which the replenishment is scheduled to become effective (enter into force);
 - Coordination and harmonization of replenishment discussions that take place at different institutions around or at the same time;
 - The cost of the replenishment process in terms of time and human and financial resources; and
 - The opportunities for oversight by donors of the ADF, its policies and its implementation.
- 1.3 This paper develops a number of options to improve the replenishment process, taking these concerns into account. The modifications explored here can be categorized under two broad headings: (1) the effectiveness of the replenishment process in supporting the goals of the ADF, including coordination with other stakeholders and donor oversight; and (2) the efficiency of the replenishment process, including cost aspects. In other words, is the best possible use being made of the time, the human effort, and the financial costs involved?
- 1.4 The paper is organized as follows. Section 2 describes the current situation as regards the replenishment process in the ADF as well as in other institutions, and outlines concerns and issues that have arisen. Section 3 explores possible modifications to the replenishment process to address these concerns and evaluates the modifications according to certain dimensions. Section 4 presents Management's recommendations and concludes the paper.
- 1.5 This paper does not discuss the issue of the participation of regional member countries (RMCs) as observers in the replenishment process. While it is acknowledged that RMCs' participation may influence beneficiary countries' sense of ownership of the replenishment discussions, and thus the ADF's effectiveness in supporting long-term development, this aspect is part of the broader ADF governance discussion that is taking place separately.

2. Current Status of the Replenishment of the ADF and Other Funds

The ADF Replenishment Process, its Participants and Costs

- 2.1 Since its establishment in 1972, the ADF has been replenished every 3 years, with a Mid-Term Review taking place approximately 1.5 years after each entry into force. It has been common practice to hold approximately four formal meetings per replenishment, with an extra informal meeting as necessary. Replenishment consultation meetings have taken place in recipient countries, on the margins of the Bank Group Annual Meetings, at Headquarters or at the Temporary Relocation Agency. The final replenishment meeting has usually taken place in a donor country. Table 1 presents an overview of the main features of the ADF's replenishment process as compared to the replenishment processes of other multilateral funds.

Table 1: Comparison of Selected Features of Various Replenishment Processes

| | African Development Fund (ADF) | International Development Association (IDA) | Asian Development Fund (AsDF) | International Fund for Agricultural Development (IFAD) | European Development Fund (EDF) | The Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) |
|---|--|--|---|--|--|--|
| Length of Replenishment Cycle | 3 years | 3 years | 4 years | 3 years | 5-6 years | 2-3 years |
| Previous and Current Cycle | ADF-10: Jan. 2005 - Dec. 2007 ADF-11: Jan. 2008 - Dec. 2010 | IDA-14: July 2005 - June 2008 IDA-15: July 2008 - June 2011 | AsDF-9: Jan. 2005 - Dec. 2008 AsDF-10: Jan. 2009 - Dec. 2012 | IFAD-7: Jan. 2007 - Dec. 2009 IFAD-8: Jan. 2010 - Dec. 2012 | EDF-8: Mar. 1995 - Feb. 2000 EDF-10: Jan. 2008 - Dec. 2013 ¹ | 1 st replen. Jan. 2006 - Dec. 2007 2 nd replen. Jan. 2008 - Dec. 2010 |
| Timing of Replenishment Discussions | March-Dec. 2007 for ADF-11 | March-Dec. 2007 for IDA-15 | Sep. 2007 - May 2008 for AsDF-10 | Feb.-Dec. 2008 for IFAD-8 | NA ² | March-Sep. 2007 for 2 nd replen. |
| Number of Meetings per Replenishment | 4 | 4-5 | 4 | 5 | NA | 2-3 |
| Time Lapse Between Conclusion of Replenishment Discussions and Planned Effectiveness | 2-3 weeks | 6 months | 7 months | 1 year | > 1 year | 3-4 months |

Key: n.a. = not applicable

¹ The EDF used to be on a 5-year cycle (Seventh EDF 1990-1995, Eighth EDF 1995-2000). In 1999 it was decided that the resources of the Ninth EDF, supplemented by the carryovers from previous EDFs, would cover the period 2000-2007, so as to bring the fund in line with the European Union's multiannual budget. The Tenth EDF covers 6 years (2008-2013).

² The replenishment of the EDF is discussed in the context of the EU's regular decision-making process, which has a layered structure: specialized working groups meet regularly (some weekly) to discuss a variety of issues in preparation for meetings at the Ambassadors' level. This level prepares the Council of Ministers meetings. The replenishment is therefore mainly discussed by the relevant working group and is usually on the group's agenda over several months.

- 2.2 Delegations from 25 donor countries and 4 observing RMCs participate in each ADF replenishment meeting. The ADF Coordinator, Bank Management and staff, Executive Directors, Alternate Executive Directors, their Senior Advisors and Advisors, and observers from other multilateral organizations (the Asian Development Bank, the International Fund for Agricultural Development (IFAD), and the World Bank) also participate. All in all, each meeting counts more than 120 participants, about half of whom come from the Bank's temporary headquarters in Tunis.
- 2.3 The financial costs of ADF replenishment and Mid-Term Review activities are administered on a separate budget line of the Bank's administrative budget. For ADF-11 this budget line covered: (i) the travel and accommodation costs of Bank Management and staff, the Coordinator, the invited Governors from the four observer RMCs, and, in certain cases, participating Executive Directors, their Alternates and their Advisors; (ii) the Coordinator's fees and travel costs for visits to the Bank; (iii) preparatory missions; (iv) some office supplies; and (v) receptions and dinners hosted by the Bank.³ In 2007, the year of the ADF-11 replenishment meetings, expenditures of UA 538,783 were recorded on this budget line.

Key Similarities and Differences among Replenishment Processes

- 2.4 The length of replenishment cycles varies across institutions. While the ADF has a 3-year cycle like the International Development Association (IDA) and IFAD, the Asian Development Fund (AsDF) and the European Development Fund (EDF) have longer replenishment cycles. The AsDF is replenished every 4 years and the EDF used to be replenished every 5 years, but following a reform, it is now replenished every 6 years (see footnote 1). The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) does not yet have a regular cycle, as it has only been replenished twice since its inception (once for 2 years and once for 3).
- 2.5 The number of formal meetings per replenishment also varies across institutions, although it usually ranges between three and five. The number of such meetings is largely determined by the flow of the discussions: if major policy changes must be agreed upon, more formal meetings are generally required. When substantial differences of opinion must be bridged either between Deputies and Management or among Deputies, informal meetings can be organized. Sometimes these meetings take place on the margins of other international events. One example is the informal meeting that was held between the third and fourth formal meetings of the ADF-11 replenishment on the margins of the World Bank Annual Meeting to discuss the issue of resource allocation. At the AsDF, the IDA and the GFATM, like at ADF, each replenishment meeting takes place in a different member country.
- 2.6 The nature of the participants at the replenishment meetings is generally similar across institutions, although their number can vary. For example, IDA has 40 donor countries and 9 observer RMCs, which requires a much larger meeting than the ADF, which has 26 donor countries and 4 observer RMCs. At the IDA, Executive Directors do not participate in replenishment meetings, although Directors' Advisors are regularly invited to join national delegations.
- 2.7 The time lapse between the conclusion of the replenishment discussions and the planned entry into force ("effectiveness") of the replenishment also varies between institutions. At the ADF, this lapse is very short: the final replenishment meeting currently takes place in December, only a few weeks before the replenishment is supposed to take effect on January 1. For other multilateral funds, the time lapse between the conclusion of discussions and the entry into force is longer. For example, the IDA-15 replenishment discussions concluded in December 2007, as did the replenishment discussions for ADF-11, but IDA-15 only came into effect on 1 July 2008, 6 months later. This is because IDA follows a July 1 to June 30 fiscal year, while the ADF's fiscal year mirrors the calendar year. The AsDF takes approximately 7 months between conclusion and effectiveness: the final replenishment meeting takes place on the margins of the Asian Development Bank Annual Meetings in May of the year before the replenishment takes effect. At IFAD, the replenishment discussions conclude 1 year before the entry into force.

³ Costs for conference facilities are generally covered by the host country, but in 2007, the Bank also paid for the costs of the conference facilities for the second replenishment meeting in Tunis.

Concerns/Issues

- 2.8 Some remarks have been made about the efficiency and effectiveness of the current process. First, question has arisen as to whether a cycle in which the volume of resources and the policy framework are determined every 3 years is the most effective way to support a long-term development process. Investment programs often last much longer than 3 years: this requires commensurate longer-term financing that may be difficult to adjust if policy priorities change. Likewise, programming of ADF resources in the form of Country Strategy Papers now takes place on a 4 to 5-year basis and is in many cases aligned with Poverty Reduction Strategy Papers or other National Development Plans. Also, changes of policy or strategy and institutional reforms need time to take effect throughout an organization before they can yield concrete results.
- 2.9 A second issue is the predictability of funding for recipient countries. Countries are currently notified of their allocation for the 3 years' duration of each ADF replenishment. Especially towards the end of that period, insecurity grows over the next allocation. An allocation for a longer period of time would provide beneficiaries with more predictability. In addition, countries can only be notified as soon as the resource allocation process has taken place—for ADF-11, the notification occurred in May 2008, 4 months after ADF-11 was supposed to start. Ideally, ADF countries would be notified of their indicative allocation at the beginning of the programming period, so as to take it into account in planning their national budget and their development program.
- 2.10 Third, strong concern has been expressed about the very short period of time between the conclusion of the replenishment discussions and the planned entry into force of the ADF on January 1 of the subsequent year. This is a major source of inefficiency which frequently delays the ADF programming process and the use of the new resources. In practice, programming cannot start on the date foreseen but must wait until the Deputies' Report has been finalized and the appropriate resolutions adopted by the Board of Directors and Board of Governors, usually 3 months later. Furthermore, the Performance-Based Allocation model can only be run and countries notified of their indicative allocation once donors' pledges—which are often subject to a parliamentary reserve—are sufficiently firm. These delays detract from the Board's decision-making process (end-of-year bunching) and selected key process indicators such as approval schedules.
- 2.11 The impacts of this delay in effectiveness of the replenishment have gained in importance in the context of the financial crisis and its consequences for ADF countries. As described in the ADF-11 Mid-Term Review papers "Progress Report on ADF Core Operational Priorities" and "ADF-11 Resource Allocation Framework", the ADF has responded expeditiously to the crisis by heavily frontloading its commitment of resources and undertaking other relevant actions. As a consequence, few resources are left for commitment in 2010. It is therefore of the utmost importance that ADF-12 becomes effective on January 1, 2011 so as to avoid gaps in funding.
- 2.12 Fourth, concerning the replenishment process itself, a number of stakeholders feel that it is too extensive. A typical replenishment process takes approximately 9 months and involves a large group of national delegates, observers and Bank staff travelling to at least four cities around the world for 2-day meetings. This group maintains numerous informal contacts between meetings as well. For each of the four formal replenishment meetings, an average of 10 papers is produced by teams of Bank staff with input from many experts. Each meeting is thoroughly prepared: in each donor capital, advisors examine the papers, prepare briefing books for the Deputies, exchange with the representative/constituency office in Tunis, and discuss with their counterparts in other capitals; the ADF Coordinator examines the papers and liaises with Deputies and Bank Management; the host country organizes the meeting and sometimes organizes project visits; Bank staff work on logistics, answer questions from Deputies and Executive Directors, brief Senior Management, and prepare and participate in discussion with/among Executive Directors' offices; and so forth. Taking all these efforts into account, the costs of the entire process, not only in terms of finances but also in terms of time and human effort, are high.

- 2.13 Fifth is the issue of alignment with other multilateral funds, both in terms of timing of the replenishment discussions and in terms of policies/strategy. The ADF's replenishment discussions coincide with those of IDA every 3 years, and sometimes also with those of other funds such as the AsDF, IFAD and the GFATM. While this eases coordination and ensures the alignment of policy priorities among the funds, it can also duplicate discussions and places an additional logistical burden on donor administrations and Deputies who participate in multiple replenishments around the same period. In addition it can make competition for funds more prominent, possibly reducing attention to substantive policy and development effectiveness dialogue.
- 2.14 Finally, Deputies feel strongly about maintaining sufficient oversight of the ADF, its policies and its implementation. The replenishment process, as an accountability mechanism, is a means to exercise this oversight. There is concern that changes to the replenishment process, such as lengthening the replenishment cycle or reducing the number of meetings, could impair this oversight.

3. Possible Modifications to the Replenishment Process

- 3.1 This section explores possible modifications to the replenishment process in order to improve its efficiency and/or effectiveness. The key objective is a replenishment process that serves the interests of the ADF as well as possible. The advantages and disadvantages of each modification are evaluated along the dimensions listed here. These dimensions correspond to the concerns and issues outlined above. In the interest of thoroughness, the option of "no change" is also considered.
- 3.2 For each option, the following question is asked: "Does implementing this option have a positive, a negative or a neutral (no) effect on..."
- the ADF's ability to provide and sustain financial and other resources for poverty reduction and long-term development in African countries, specifically as regards matching funding to programming;
 - the predictability of funding for recipient countries, i.e. the period of time for which indicative allocations can be provided to recipients and the firmness of these indications;
 - the timeliness of the availability of resources, i.e. the time lapse between the end of the replenishment discussions and the beginning of the programming period;
 - logistical cost aspects, both financial costs and costs in terms of time and human effort;
 - coordination with other institutions and stakeholders not only in terms of timing but also in terms of policy and strategy, focusing on complementarity; and
 - oversight of the ADF by donors as represented by the Deputies.
- 3.3 In addition, Management deems it important to examine the possible consequences of these modifications on the size of the replenishment, specifically with regard to whether lengthening the duration of the replenishment would go hand-in-hand with a commensurate increase in nominal pledges.
- 3.4 The modifications explored in this section are not mutually exclusive: they may be combined. Furthermore, Deputies may select to implement multiple modifications at the same time. It should be emphasized that the modifications imply varying magnitudes of change, from substantial alteration of the entire replenishment process to a simple change of location.

Options to Enhance Effectiveness

- 3.5 The first modification considered here is a **longer replenishment cycle**, i.e. replenishment every 4 or 5 years, like AsDF and EDF, rather than every 3 years, as is presently the case. A longer replenishment cycle would entail fewer replenishment meetings overall, thereby reducing financial costs, time spent, travel, and human effort on the part of Bank staff and delegates. In addition, reforms agreed during the replenishment discussions would have a longer period in which to take effect before they were reviewed at the Mid-Term Reviews, which would take place after 2 to 2.5 years instead of after 1 year and a half. ADF's

programming cycle could be timed more closely with or matched to the duration of the Country Strategy Papers, thereby better supporting beneficiary countries' National Development Programs. Indicative allocations would be made for 4 or 5 years, thus improving the predictability of funding.

- 3.6 A 4 or 5-year cycle would also mean that replenishment discussions would no longer be synchronized with the discussions of the IDA. This in itself would imply less of a burden on Deputies and their advisors. It is probable that the agendas of the two institutions' meetings would not be as similar as they are now, as replenishment discussions tend to focus on current issues. The effects of this change on complementarity could be mixed. Beneficiary countries would benefit from longer horizons for the coordination of stakeholders, including civil society, thereby enhancing complementarity. Also, staggering replenishments may allow opportunities for the ADF and IDA to cover areas/crises/situations that arise after the other has completed its replenishment process. On the other hand, for donors, discussing the same issue in different institutions at the same time could provide a clearer picture in terms of overview.
- 3.7 A longer replenishment cycle could have consequences for the relative size of the replenishment if donors did not scale up their pledges proportionally. However, the experiences of the AsDF and the EDF do not seem to suggest that this would happen. The AsDF (4-year cycle) has consistently grown in size (AsDF-8 \$5.65 billion, AsDF-9 \$7 billion, AsDF-10 \$11 billion), although the contribution of internal resources has grown more strongly than have the contributions of donors⁴. Similarly, the EDF grew from € 13.8 billion (Ninth EDF, for 5 years) to € 22.7 billion (Tenth EDF, for 6 years), an increase of 37 percent per year.
- 3.8 Fewer formal replenishment meetings would result in less face-to-face contact between Bank Management and the Deputies as a group and suggests less opportunity for oversight by donors through collective discussions. This impact could be countered by increasing other kinds of contact (bilateral visits, a secure website with a discussion forum, e-mail, telephone and video conferences) and by organizing informal meetings on the margins of Bank Group Annual Meetings or other international events. This latter suggestion could, however, somewhat reduce the savings of time and effort named above.
- 3.9 A second modification that is independent of the length of the replenishment cycle is to **conclude the replenishment consultations earlier** so as to allow more time between the final replenishment meeting and the planned entry into force. This system would follow the practices of IDA and IFAD, whose replenishment discussions conclude 6 months and 1 year before effectiveness, respectively. Concluding replenishment discussions earlier, for example in July, would allow new operations to be truly committed on January 1 rather than in April or May of the following year, after the Board of Governors has adopted the replenishment resolution and the Board of Directors approves the Advanced Commitment Capacity. Under this scenario, the resource allocation exercise would be undertaken at an earlier point in the year and countries would be informed of their indicative allocations and could begin their planning before the operational year started, thereby making funding more predictable and enhancing alignment with national processes. However, certain donors could have difficulty in making firm pledges in July due to specificities of their national budget and parliamentary processes: this could impact the amount of the replenishment and the timing of donors' contributions. This issue would have to be discussed bilaterally with the donors, for example by exploring their process for pledging to the AsDF, whose replenishment discussions are concluded in May.
- 3.10 Concluding the replenishment consultations earlier would mean that the ADF replenishment meetings would no longer be exactly synchronized with IDA's meetings but would take place up to 6 months ahead. Staff would have to make extra efforts to ensure effective coordination.

⁴ This is also the case for the ADF, but the ADF is more strongly dependent on donor contributions than is the AsDF: the percentage of donor contributions compared to internal resources is 37% versus 63% for AsDF-10 and 64% versus 36% for ADF-11.

- 3.11 A third possibility is to **hold replenishment meetings back-to-back with other international meetings**, for example with the International Monetary Fund/World Bank Spring or Annual Meetings, with the IDA/AsDF replenishment meetings or with United Nations meetings, and coordinate the agendas of these meetings. An example is the back-to-back ADF and IDA Deputies' Meetings which took place in December 2005 on the Multilateral Debt Relief Initiative. This option would stimulate greater coordination of policy and strategy with other institutions. It would also produce financial savings and efficiency gains in terms of the travel and time of Deputies, their delegations and Bank Management. On the other hand, greater efforts would be required from Deputies, capitals and Bank staff to prepare for both meetings at the same time. Also, there is a risk that participation in the other meeting would take priority over participation in the ADF meeting, or that should discontent arise in the other meeting, the negative atmosphere could spill over into the meetings of the ADF.

Cost-cutting/Efficiency Measures

- 3.12 One means of enhancing efficiency is to hold **three meetings per replenishment process** rather than the customary four. The three meetings in question could be supplemented by the innovative use of electronic communications (a secure website with a forum, blogs, video conferences, etc.) between meetings. This would save financial resources, travel and time for all participants. Reducing the number of meetings would require more thorough preparation of the strategic directions of the replenishment and selectivity in the focal areas to be discussed. It could for example be decided to discuss issues that are treated by the Board of Directors in a more strategic and less detailed manner, so as to limit overlap and duplication. Careful thought would also have to be given to the timing and agendas of the three meetings, including the documents to be produced for each. If major policy changes or large differences of opinion were foreseen, this option might not be feasible or it might be necessary to hold an additional informal meeting in order to allow for the thorough discussion that important issues deserve.
- 3.13 Another option is to **hold meetings at the Bank's location** rather than in member countries. This would save time and substantial travel and accommodation costs for Bank Management, staff, Executive Directors, Alternate Executive Directors and Advisors, who total approximately 70 people. Also, the Bank's preferred rates with local hotels and meeting facilities would make meeting at the Bank's location less expensive than meeting in other cities. It is true that the costs of conference facilities at the Bank's location would exceed the Bank's costs at a location where the host country covers most costs, but this additional spending would be far outweighed by savings on travel. There are however good reasons for holding meetings in different locations: (i) involving different constituencies (parliaments and civil society) enhances ownership and increases buy-in; (ii) these meetings act as general advertising of the ADF and enhance public relations, especially in the country where the meeting is held; and (iii) traveling to a new location creates a sense of priority and importance (a "buzz") that is less easily achieved at Headquarters.
- 3.14 Costs for the Bank could also be reduced by **limiting the number of Bank Management and staff participants** (about 40 people), and by inviting Executive Directors, their Alternates and their Advisors (about 25-30 people) to participate only as members of national delegations that cover their costs. There would, however, be a trade-off: Management, staff, Executive Directors and their Advisors are important players in the dissemination of the outcomes of replenishment discussions within the organization and in RMC capitals, in the translation of these outcomes into policies approved by the Board, and in the implementation of these policies within new programs and projects. Under this option, therefore, special emphasis would have to be placed on ensuring the comprehensive but clear communication of outcomes to all stakeholders, again with the possible use of blogs, websites, webcasting and video conferencing.

No Change

- 3.15 The option of **maintaining the status quo** has the advantage of being familiar territory, especially during the uncertain times occasioned by the financial and economic crisis. The ADF replenishment cycle is aligned with IDA's cycle: this has both advantages and disadvantages, as outlined above. If the present schedule of replenishment discussions is maintained, however, ADF-12 discussions will conclude in December 2010 (like IDA-16) and ADF-12 will not become effective until several months later. Given the strong frontloading of ADF-11 resources and the resulting low amount of committable balances in 2010, this would limit the ADF's ability to continue responding expeditiously and effectively to the financial crisis and would have negative consequences for recipient countries.

Table 2: Effect of Each Option on Various Dimensions

| | Long-Term Development | Predictability of Funding | Timeliness of Resources | Costs | Coordination With Others | Oversight by Donors | Amount of the Replenishment |
|---|------------------------------|----------------------------------|--------------------------------|--------------|--|--|------------------------------------|
| Longer Replenishment Cycle | + | + | + | + | / or possibly - but could be mitigated | / or possibly - but could be mitigated | / or possibly - |
| Concluding Process Earlier | + | + | + | / | / | / | / or possibly - |
| Back-To-Back Meetings | / | / | / | + | + | / | / |
| Three Meetings instead of Four | / | / | + | + | / | - | / |
| Meetings At Bank Locations | / | / | / | + | / | / | / |
| Fewer Bank Participants / Executive Directors Etc. in National Delegations | / | / | / | + | / | / | / |
| No Change | / | / | / | / | / | / | / |

+: positive effect; /: neutral or no effect; -: negative effect

4. Recommendations

- 4.1 Management recommends combining a number of the modifications detailed above into a single package of measures. Its proposal is as follows.
- 4.2 First, Management recommends most strongly that the replenishment discussions be concluded well in advance of the date of entry into force. The ADF-12 replenishment discussions should be concluded in July 2010 so as to allow full effectiveness on January 1, 2011. This change would make it possible for beneficiary countries to receive notification of their indicative allocation in a timely manner so that they may integrate that information into their national planning process. If this option is retained, discussions would take place with donors whose national budgetary processes are on a different schedule with a view to arriving at a mutually agreeable solution.
- 4.3 Secondly, Management proposes to maintain the 3-year replenishment cycle for ADF-12 (2011-2013) but to consider introducing a 4-year cycle as of ADF-13 (2014-2017), to be discussed and confirmed during the ADF-12 or ADF-13 replenishment discussions. Given the uncertainties brought about by the financial and economic crisis, Management does not deem it wise to change the cycle for ADF-12. ADF-12 would thus cover January 2011 through December 2013 as foreseen, with the ADF-12 Mid-Term Review taking place in the third

quarter of 2012.

- 4.4 Under a 4-year cycle, ADF-13 would cover 2014-2017. The ADF-13 replenishment discussions could be held in the first half of 2013, for entry into force in January 2014. The Mid-Term Review would take place after 2 years (late 2015/early 2016) and would be supplemented by progress reporting on a secure website. To maintain regular face-to-face contact with Deputies, Management recommends holding informal Deputies' meetings on the margins of the Bank Group Annual Meetings or on the margins of other international events (e.g., the International Monetary Fund/World Bank Spring Meetings or Annual Meetings), as Deputies see fit. These informal meetings would serve to monitor progress and discuss current or policy issues. Extra effort would be made to closely coordinate the Bank's policies and strategies with the policies and strategies of other multilateral institutions, especially the IDA, in years that replenishment discussions do not coincide.

Table 3: Summary of Management's Proposal

| | |
|--|--|
| Time Lapse Between the Conclusion of Replenishment Discussions and the Entry Into Force | 6 months |
| Length of Cycle | 3 years for ADF-12 4 years as of ADF-13 |
| Calendar Years of Replenishment Cycles | ADF-12: 2011-2013 ADF-13: 2014-2017 ADF-14: 2018-2021 |
| Timing of Mid-Term Review | ADF-12: Fall 2012 ADF-13: Late 2015 / early 2016 |
| Timing of Replenishment Meetings | ADF-12: Oct 2009 - July 2010 ADF-13: Jan-July 2013 |
| Number of Replenishment Meetings | As necessary, depending on the required depth of policy discussions |
| Informal Meetings With Deputies | As necessary, on the margins of Bank Group Annual Meetings or other international events |

- 4.5 Finally, Management is in favor of attempting to streamline the replenishment process to three formal meetings supplemented by the innovative use of electronic communications (a secure website with a forum, blogs, video conferences, etc.) between meetings. For better efficiency, at least one meeting should be held at the location of the Bank. However, no modification should compromise the required depth of policy discussions. If no major changes to the policy framework are foreseen, it should be possible to achieve selectivity in the issues to be discussed and to rationalize the number of documents to be produced, thus eliminating the need for the fourth meeting. If, in contrast, more extensive policy discussions are foreseen such that four meetings are required, this circumstance would be fully reflected in the planning of the replenishment process. Additional informal meetings could also be organized should the need arise; in the interests of efficiency, they would by preference take place on the margins of another international event.
- 4.6 Management is open to other suggestions from Deputies to improve the cost-effectiveness of the replenishment process, and Deputies are requested to give their guidance on these recommendations.