

**African Development Fund (ADF)
ADF-12 Mid Term Review Meeting
Praia, Cape Verde, 12-14 September 2012**

Chair's Summary

ADF Deputies and observers from International Development Institutions met in Praia, Cape Verde, on 12-14 September 2012 to conduct the mid-term review (MTR) of the 12th Replenishment of the African Development Fund (ADF-12). They were joined by the Ministers of Finance of Cote d'Ivoire, Ghana, Kenya and Malawi as participants in the review. Participants thanked the Government of Cape Verde for its warm hospitality. The meeting was chaired by Mr. Geoffrey Lamb and this Chair's Summary is issued under his responsibility.

The Cape Verde Minister of Finance, the Honorable Cristina Duarte, opened the meeting. She welcomed holding the meeting in Cape Verde as recognition of the country's development achievements, and noted the sustained support of the ADF. She underscored good governance, visionary leadership and investing in human capacity as key elements of Cape Verde's sustained development progress.

Opening the discussions, President Kaberuka said that Africa is in a new, dynamic phase; Cape Verde's transformation from less than USD 200 GDP per capita to a middle income country was a fitting illustration of the possibilities. He thanked Donors for their continued support and trust in the African Development Bank, noting the importance of investing in African institutions. The Bank has delivered strongly during the financial crisis, and continues to be a reliable partner for African low-income countries going forward. The African Development Bank is the leading institution investing in regional integration, and a strong partner for fragile states. In recent years the Bank has become stronger, more effective and more efficient; yet much more remains to be done both in ensuring even greater institutional effectiveness and in helping Africa forge a more inclusive path to growth and a sustainable green economy.

Implementation of ADF-12 core operational priorities

Participants commended the good progress at mid-term in implementing the key priorities of ADF-12. They noted that the Fund had exceeded expectations in certain areas, such as emergency response, and was successfully channeling resources to fragile states, regional integration, infrastructure development, and improving financial governance.

- On regional operations, they urged stronger follow-through to ensure that these investments, critical for growth, move ahead as quickly as possible and linkages to improving regional integration are much clearer. They commended the Dakar-Bamako highway as an example of the tangible, widespread benefits these operations could bring.
- On fragile states, Participants noted that the Bank should engage more deeply to understand the political economy of fragility case-by-case, be prepared to do more through the Fragile States Facility to build capacities and institutions, and to apply modalities that are best suited to address the unique challenges in such contexts. They noted that effective decentralization was central to meeting client expectations. Some cautioned against the difficulties of budget support operations in fragile states, but appreciated the strong endorsement of the Fund's swift action to provide vital quick-disbursing support to consolidate peace in Cote d'Ivoire, as underlined by the Minister from Cote d'Ivoire in his interventions.
- While there was strong progress on a range of ADF-12 priorities, Participants stressed that the Fund needed to make decisive progress on gender equality and women empowerment, beyond mainstreaming gender in its operations, a critical aspect of a more inclusive growth.

Institutional effectiveness and results

Participants noted greater institutional effectiveness on the part of the Bank, while recognizing there was much more to do and requesting an over-arching change management plan including clearer timelines. Decentralization has been energetically implemented, with a presence of the Bank currently in 34 countries, including several fragile states. They urged fuller progress on empowering field office decision-making and building field capacities to contribute more effectively to countries' policy dialogue. There was strong endorsement of the Bank's results framework, and its intentions to move beyond measuring results to managing for results. They welcomed fundamental changes being introduced in the management of the Bank's human resources, and a reduction in current vacancies, though they noted continuing concerns about people management approaches, retention and career incentives. Participants urged further measures to improve budget utilization and enhance procurement and disbursement efficiency which are necessary for reducing costly delays. They also welcomed the recognition by Bank senior management that a critical requirement for all these changes to work was further shifts of the Bank's organisational culture led by members of the senior management.

Resource allocation

On the allocation of Fund resources, Participants stressed that performance should remain a fundamental criterion. They supported a review of the performance-based allocation (PBA) system, including the treatment of fragile states (including those in arrears), in preparation for ADF-13, with a range of views on some likely adjustments versus deeper reforms. They asked the Bank to provide simulations for different scenarios of potential changes. Participants stressed that the PBA system needed to be simpler and transparent to recipient countries and donors alike. Alignment with other multilateral development banks, particularly the International Development Association (IDA), was important, taking account of the differences between ADF's and IDA's operational priorities. Participants supported adjustments in cost-sharing arrangements of regional operations to encourage greater country contribution. Following a discussion on possible alternate uses, they agreed that ADF resources reserved for arrears clearance should be retained through the ADF-12, with a presumption that these resources could be rolled over into ADF-13 if necessary.

ADF financial sustainability and capacity

Participants expressed satisfaction with the soundness of the Fund's financial management framework. They urged strong and creative focus on the mobilization of internal resources, and looked forward to the Bank developing a menu of innovative financing proposals, for consideration in ADF-13.

Preparations for ADF-13 replenishment discussions

Looking ahead to the ADF-13 discussions, Participants agreed to aim for an efficient process, in three replenishment meetings, beginning in February 2013. They welcomed the continuing participation and valuable contributions of African ministers in the discussions, and called also for wider consultation of ADF with African private sector and civil society voices in the replenishment process.