

PROPOSAL FOR ENSURING EFFECTIVE IMPLEMENTATION OF ADF V

FOR INSERTION INTO THE REPORT ON THE CONSULTATIVE MEETINGS ON
THE 5TH GENERAL REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND
DOCUMENT ADF-V/CM - 4/87/20

PRESENTED BY CANADA

To ensure effective implementation of ADF-V, it is proposed that donors and management agree to specific lending and financial policies and that there be a mid-term review of Fund performance in 1989, in accordance with criteria agreed to by Deputies during the course of these consultative meetings. Following are a number of policies proposed for ADF-V. It is suggested that these policies, along with other policies agreed to by Deputies, be incorporated into the report on the consultative meetings on ADF V, and that the replenishment resolution incorporate the recommendations in the report.

(1) Country Programming

Management should provide a schedule for the completion of the remaining country programme paper as soon as possible. It is expected that country programs for remaining "A.1" countries will be completed by the time of the mid-term review. Loan proposals brought before the Board should be fully consistent with the country programme for the borrower country.

(2) Policy-Based Lending

Structural adjustment and sector-wide lending shall be appropriately coordinated with the World Bank so as to avoid conflicting adjustment programmes. There shall be harmonization of conditions among donors to maximize the effectiveness of this type of financing. Until the mid-term review, the policy-based lending share should be limited to 15 percent of ADF V lending. If the implementation of these policies is agreed to be satisfactory at the time of the mid-term review, the share of policy-based lending could go up to 20-25 percent.

(3) Technical Assistance

A review of the impact and effectiveness of technical assistance activities, particularly in identifying high quality programmes and projects for the lending pipeline, shall be part of the mid-term review. The review should consider the priorities for future technical assistance operations. Technical Assistance could increase toward 10 percent of total ADF-V resources. In general, only Group "A" and "B" countries should be eligible for grant technical assistance. However, in exceptional cases involving multinational projects with Group A and/or B countries, Group "C" countries could benefit from grant technical assistance.

(4) Cost-Effective Lending Programme

Given increasing demands on limited Fund resources, it is necessary to focus on the efficient use of these resources. Management should improve the feedback process of ex-post evaluation findings to help increase the cost-effectiveness of its projects, and should report on this and other measures to enhance cost-effectiveness at the mid-term review.

Of particular concern is the cost-effectiveness of social sector lending. Approximately three quarters of the Fund lending in the health sector should be directed to primary health programs where cost-effectiveness is higher than in curative hospital based programs. In the education sector, projects should be increasingly targeted toward primary education. The minimum share for education and health projects should continue to be 15 percent of AfDF resources.

(5) Lending Priorities

Management should provide by the time of the mid-term review a report on what they have done to meet the primary needs of the poorest sections of the population in low-income countries. In particular, the report should review:

- the volume of poverty-oriented lending in the various sectors .
- the development of evaluation measures to determine how low-income groups benefit from Fund lending.

The report should also indicate:

- How the Fund intends to integrate more fully into its regular programming measures to address the issues of women in development, population and environment.

(6) Reserves

Since the ADF does not borrow on capital markets, it does not have the same need for reserves as a development bank. The practice of establishing the encashment schedule in relation to disbursements is appropriate, and encashments should not be accelerated for the purpose of building up reserves.

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