CONFIDENTIAL

AFRICAN DEVELOPMENT FUND

ADF/BD/WP/2002/99
1 October 2002
Prepared by: PDRE/GECL
Original: English

Probable Date of Board Presentation: TO BE DETERMINED	FOR CONSIDERATION

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : THE PRESIDENT

SUBJECT : REPORT ON THE NINTH GENERAL REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND*

It may be recalled that the Board of Governors on 30 March 2001, adopted Resolution F/BG/2001/03, authorizing the President of the African Development Fund (the "Fund"), in close collaboration with the Board of Directors, to take the necessary steps to identify and explore available options to mobilize funds for the ninth general replenishment of the resources of the Fund (the "ADF-IX"). The President, as requested, initiated consultations with Participants in the Fund as well as other interested parties, and explored various options towards ensuring a timely and effective replenishment of the resources of the Fund. In this connection, the parties held six (6) consultative meetings between May 2001 and September 2002.

These consultations culminated initially in the Interim Financing Arrangement, pending a consensus on the terms of the ADF-IX. Pursuant to the interim arrangement, set out in Resolution F/BG/2002/03 adopted by the Board of Governors on 28 May 2002, certain State Participants made additional voluntary individual subscriptions, in accordance with Article 7 of the Fund Agreement, to ensure the continued operations of the Fund. The parties further agreed that these individual subscriptions would be considered as advance payments for the ADF-IX.

At the sixth consultative meeting, held from 23-24 September 2002, the parties reached agreement on the terms of the replenishment, as set out in the attached Report of the Deputies representing the State Participants. Notably, the Deputies agreed to fix the target replenishment amount at UA 2,370,000,000, for the three-year operational period of the ADF-IX (2002-04). The Deputies also recommended that State Participants contribute towards this amount in the proportions stated in Annex I to the draft Resolution, also attached hereto. Furthermore, the Deputies made certain recommendations concerning the measures and directives to be followed by the Fund, in carrying out its operations during the ADF-IX operational period. In this connection, it will be observed that 18-21% of the total available resources under the ADF-IX are to be set aside for grants, including grant-based technical assistance. The other recommendations are also set out in the Report.

In the light of the foregoing, and in accordance with Article 26(i) of the Fund Agreement, this Board is hereby invited to transmit to the Board of Governors of the Fund for their consideration, the attached Report and draft Resolution authorizing the ADF-IX and the terms of the replenishment.

Please note that Annex 1 of the Draft Resolution will be circulated to the Board as soon as it is cleared by the Deputies.

Attchs:
Cc: The President

***Questions on this document should be referred to:**

Mr. Henock KIFLE	Director	PDRE	Ext. 4064
Mr. Adesegun AKIN-OLUGBADE	General Counsel and Director	GECL	Ext. 4035
Ms. Arunma OTEH	Director	FTRY	Ext. 4037
Mr. T.I.S. Vusi	Manager	FFMA.1	Ext. 4128

SCCD:N.A.

AFRICAN DEVELOPMENT FUND | **ADF/BG/WP/2002/06**
1 October 2002

M E M O R A N D U M

TO : **THE BOARD OF GOVERNORS**

FROM : **THE BOARD OF DIRECTORS**

SUBJECT : **<u>REPORT ON THE NINTH GENERAL REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND</u>**

1. It may be recalled that the Board of Governors on 30 March 2001, adopted Resolution F/BG/2001/03, authorizing the President of the Fund, in close collaboration with the Board of Directors, to take the necessary steps to identify and explore available options to mobilize funds for the ninth general replenishment of the resources of the Fund (the "ADF-IX"). In accordance with this directive, consultations were initiated with Participants in the Fund as well as other interested parties, and various options were explored towards ensuring a timely and effective replenishment of the resources of the Fund. In this connection, the parties held six (6) consultative meetings between May 2001 and September 2002.

2. The consultations culminated initially in the Interim Financing Arrangement, pending a consensus on all the terms of the ADF-IX. Pursuant to the interim arrangement, set out in Resolution F/BG/2002/03 adopted by the Board of Governors on 28 May 2002, certain State Participants made additional voluntary individual subscriptions, in accordance with Article 7 of the Fund Agreement, to ensure the continued operations of the Fund. The parties further agreed that these individual subscriptions would be considered as advance payments for the ADF-IX.

3. At the sixth consultative meeting on the ADF-IX, held from September 23 to 24, 2002, the parties reached agreement on the terms of the replenishment, as set out in the attached Report of the Deputies representing the State Participants (the "Report"). Notably, the Deputies agreed to fix the target replenishment amount at UA 2,370,000,000, for the three-year operational period of the ADF-IX (2002-04). The Deputies also recommended that State Participants contribute towards this amount in the proportions stated in Annex I to the draft Resolution, also attached hereto. Furthermore, the Deputies made certain recommendations concerning the measures and directives to be followed by the Fund, in carrying out its operations during the ADF-IX operational period. In this connection, it will be observed that 18-21% of the total available resources under the ADF-IX are to be set aside for grants, including grant-based technical assistance. The other recommendations are also set out in the Report.

4. In the light of the foregoing, and in accordance with Article 23(2)(ii) of the Fund Agreement, the Board of Governors is hereby invited to approve the attached Report and the draft Resolution authorizing the ADF-IX and the terms of the replenishment.

Attchs:

Final Draft 04/10/2002

AFRICAN DEVELOPMENT FUND

BOARD OF GOVERNORS

Draft Resolution F/BG/02/[ ]

(Adopted by correspondence on [Day][Month] 2002)

The Ninth General Replenishment of the Resources of the African Development Fund

THE BOARD OF GOVERNORS,

HAVING REGARD TO:

(i) The relevant Articles of the Agreement (the "Agreement") Establishing the African Development Fund (the "Fund"), in particular Articles 2 (Purpose), 4 (Resources), 7 (Additional Subscriptions by State Participants), 16 (Form and Terms of Financing), 19 (Technical Assistance) 23 (Board of Governors: Powers) and 26 (Board of Directors: Functions);

(ii) Resolution F/BG/2002/03 concerning Additional Individual Subscriptions to the Fund adopted at the Twenty-Eighth Annual Meeting of the Board of Governors of the Fund on 28th May 2002 (the "**Interim Financing Arrangement**") and the understanding contained therein that an additional individual subscription made by a State participant pursuant to the terms of the said Resolution shall be a subscription to the Ninth Replenishment;

(iii) The Report of the Board of Directors dated 4th October 2002 **("the Report")** on the implementation of Resolution F/BG/2001/03 authorizing the commencement of consultations for the ninth general replenishment of the resources of the Fund (the "**Ninth Replenishment**"), and in particular the recommendations of the Board of Directors contained in that Report;

CONSIDERING THAT:

(i) In its Report, the Board of Directors, having regard to the needs and development requirements of the poorer and less developed regional members of the African Development Bank (the "Bank"), has recommended that the Fund should undertake a substantial replenishment of its resources to finance the Fund's concessional lending programme for the three year period commencing **January 1, 2002**;

(ii) The State participants listed in Annex 1 hereto attached, as the case may be the Bank and some members[1] have indicated their intention to subscribe or contribute to the Ninth Replenishment in accordance with the arrangements, terms and conditions set forth in this Resolution, it being understood that no commitment in that regard can be made by the State participants, the Bank and members until all necessary internal approvals of such State participants, the Bank and members have been obtained;

CONVINCED THAT:

(i) There may arise a need for a portion of the amount of subscriptions made hereunder to be provided to the Fund as advance subscriptions that may be used for operational commitments before the entry into effect of the Ninth Replenishment;

(ii) It is desirable to authorize the Fund to provide financing in the form of grants in addition to loans in the circumstances referred to in the Report, and according to procedures to be determined by the Board of Directors of the Fund;

(iii) It is desirable to encourage countries that have the economic capacity to be, but are not now, State participants or contributing members to participate in the Ninth Replenishment; and

(iv) It is desirable to administer any remaining funds from the eighth general replenishment (the "Eighth Replenishment") authorized by Resolution F/BG/99/09 during the Ninth Replenishment period;

> *This provision, which is elaborated in sub-paragraph 10(e) of the draft Resolution, would enable the resources earmarked under ADF-VIII for HIPCs and SFM to be administered as appropriate, during the Ninth Replenishment in accordance with the terms and conditions applicable to the Eighth Replenishment.*

[1] The term "member" is defined in Article 1(i) of the ADF Agreement as a member of the Bank (other than a State participant).

HEREBY ACCEPTS AND ENDORSES the final Report on the Consultative Meetings on the Ninth Replenishment (the "Report");

ADOPTS its conclusions and recommendations; and therefore,

DECIDES AS FOLLOWS:

1. Increase in the Resources of the Fund

(a) Authorization. The Fund is authorized to proceed with the Ninth Replenishment for a three-year period commencing **January 1, 2002 in the aggregate amount of Two Billion Three Hundred and Seventy Million Units of Account (UA 2,370,000,000).**[2]

(b) **Subscriptions by State Participants**. The Fund is authorized to accept, from each of the State participants listed in Annex 1 to this Resolution, a Subscription in the amount specified for each such State participant in the applicable column of Annex 1.[3]

(c) **Additional Subscriptions and Contributions** Additional subscriptions and other resources in excess of the amounts indicated in Annex 1 hereto, may be accepted by the Fund with the approval of the Board of Directors.

(d) **Relation to Future Replenishments**. No State participant making an additional subscription pursuant to sub-paragraph 1(c) shall be obliged, on the occasion of a future replenishment of the Fund, to increase its proportionate share of the subscriptions heretofore applicable to it, solely by reason of having made such an additional Subscription under this Resolution.

Paragraph 1(a) of the draft Resolution authorizes the Fund to proceed with the Ninth Replenishment. The proposal contained in the draft Resolution is to fix the Replenishment Period for three years commencing January 1, 2002. The Paragraph also establishes the aggregate amount (total envelope) of the Replenishment, in line with the recommendation to be made by the Deputies on the overall resources to be mobilized during the Ninth Replenishment (including, but not limited to, the additional individual subscriptions of State participants under the Interim Financing Arrangement). Provisions are made in Paragraph 1(c) of the Draft Resolution for the acceptance by the Fund of subscriptions and other resources in excess of the subscription amounts pledged by the State participants (which would be set out in Annex I to the Resolution), subject to approval by the Board of Directors.

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[2] The amount includes the aggregate additional individual subscriptions made pursuant to the Interim Financing Arrangement.

[3] The amounts specified take into account any additional individual subscription made in the context of Resolution F/BG/2002/03 on the Interim Financing Arrangement.

2. Instruments of Subscription by State Participants

(a) **General Clause**. To make a subscription hereunder, each State participant shall deposit with the Fund an Instrument of Subscription formally confirming its intention to subscribe the amount specified in Annex 1 hereto, denominated in terms of the unit of obligation relating to the State participant, as determined pursuant to paragraph 3 hereof. In the event that a State participant has made an additional individual subscription under the Interim Financing Arrangement, the amount to be specified in the Instrument of Subscription as provided herein shall be net of any amount previously so subscribed.

(b) **Unqualified Subscription**. Except as specified in sub-paragraph (c) of this paragraph, such Instrument of Subscription shall constitute an unqualified commitment by the concerned State participant to pay the amount subscribed in the manner, and on the terms, set forth or contemplated by this Resolution. For the purpose of this Resolution, such subscription shall be called an **"Unqualified Subscription**".

(c) **Qualified Subscription**. As an exceptional case, where an unqualified commitment cannot be given by a State participant due to its legislative practice, the Fund may accept from that State participant an Instrument of Subscription which expressly contains the qualification that payment of all instalments of its subscription, is subject to subsequent budgetary appropriation. Such an Instrument of Subscription shall, however, include an undertaking by the State participant to exercise its best efforts to seek and obtain such appropriation, at the rate specified in paragraphs 6(c) and 8(b) of this Resolution, by the payment dates indicated in paragraph 6 hereof, and to notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a subscription in this form shall be called a "**Qualified Subscription",** but shall be deemed to be unqualified to the extent that appropriation has been obtained.

3. Denomination of Subscriptions

State participants shall denominate their subscriptions in Special Drawing Rights of the International Monetary Fund (SDRs), in a currency used for the valuation of the SDR or in the currency of the State participant if such currency is freely convertible (the "unit of obligation"), provided that if in the period from **1 January 1998 to 31 December 2000** the economy of a State participant experienced a rate of inflation in excess of 10 per cent per annum on average, as determined by the Fund, then the subscription of that State Participant shall be denominated in SDRs.

The proposal contained in Paragraph 3 is for Subscriptions to be denominated in: (I) SDRs; or (ii) a currency used for the valuation of the SDR – which are currently the United States Dollar, Pound Sterling, Japanese Yen and Euro; or (iii) the currency of the State participant if the currency is freely convertible and provided the economy of the State participant has not experienced a rate of inflation in excess of 10% p.a. on average, as determined by the Fund, during the specified period agreed by the Deputies.

4. Effective Date

The Ninth Replenishment shall come into effect on the date when State participants shall have deposited with the Fund, Instruments of Subscription representing an aggregate amount equivalent to at least **thirty per cent (30%) of the total intended subscriptions (inclusive of the aggregate amount subscribed under the Interim Financing Arrangement) set forth in Annex 1 to this Resolution** (hereinafter called “the Effective Date”).

5. Allocation for Grants

An amount in the range of 18-21% of the total available resources[4] under the Ninth Replenishment shall be set aside in the form of grants for permitted uses in accordance with the Report, including grant-based technical assistance. In certain cases, technical assistance shall be provided on a reimbursable basis.

6. **Payment of Subscriptions**

(a) **Payment Dates**. Except as otherwise provided in this Resolution and in Resolution F/BG/2002/03 in respect of additional individual subscriptions made under the Interim Financing Arrangement, each subscription made under this Resolution shall be paid in three equal annual instalments in SDRs, currencies used for the valuation of the SDR or in freely convertible currencies acceptable to the Fund. Subject to paragraphs 4 and 8 hereof and unless otherwise determined by the Board of Directors, the first of such instalments shall be paid on or before **31 January, 2003** or not later than 30 days after the Effective Date, whichever is earlier; with the second and third instalments falling due, respectively, not later than **30 June, 2003** and **30 April 2004**. As an exceptional case, where a State participant cannot, due to its legislative procedures, make payment in respect of the first instalment by the date determined pursuant to the second sentence of this sub-paragraph, such instalment shall be paid not later than 30 days after the date of the deposit of the relevant Instrument of Subscription.

[4] The total available resources refers to the total realizable resources that may be committed by the Fund during the Ninth Replenishment period and includes the amount set forth in Paragraph I(a) hereto and internally generated resources.

(b) **<u>Payment Dates for Qualified Subscriptions</u>**. Payments in respect of a Qualified Subscription shall be made within 30 days as and to the extent that the relative subscription becomes unqualified and subject to the annual payment dates specified in sub-paragraph (a) above**. A State participant who has deposited an Instrument of Subscription for a Qualified Subscription shall inform the Fund of the status of its subscription not later than 30 days after the annual payment dates specified in sub-paragraph (a) above.**

(c) **<u>Optional Arrangements</u>**. Any State participant may, by a written declaration, indicate to the Fund that it intends to make payment at earlier dates or in fewer instalments or larger percentage portions not less favourable to the Fund than those specified in sub-paragraphs (a) and (b) above.

(d) **<u>Method of Payment</u>**. Payments in respect of each subscription shall be made in cash or, at the option of the State participant making the payment, by the deposit of non-negotiable non-interest-bearing notes or similar obligations of the State participant, encashable on demand by the Fund at their par value in accordance with the terms of sub-paragraph (f).

(e) **<u>Programme of Payments</u>**. At the time of depositing its Instrument of Subscription, each State participant shall indicate to the Fund its proposed programme of instalment payments on the basis of the arrangements set forth in the foregoing provisions of paragraph 6.

(f) **<u>Encashment of Notes</u>**. Unless otherwise decided, the Fund will encash the notes or similar obligations of State participants in accordance with the standard encashment schedule set out in Annex 2, provided that at the request of a State participant, the Fund may agree to vary the total encashment schedule for that State participant. With respect to a State participant that is unable to comply with one or more encashment requests, the Fund may agree with the State participant on a revised encashment schedule for such notes or similar obligations that yields at least an equivalent value to the Fund.

(g) **<u>Conditions for Payment</u>**. Notwithstanding the foregoing provisions of paragraph 6, no State participant shall be obliged to make any payment except when its subscription has become available for operational commitments as specified in paragraph 8 of this Resolution.

The proposal contained in Paragraph 6 of the draft Resolution is for subscriptions to be paid in three equal annual installments in the unit of obligation acceptable to the Fund. Specific proposals are made about when such installments should be paid. These proposals are subject to agreement by the Deputies. It is worth noting that State participants are allowed to specify earlier payment dates provided this optional arrangement is no less favorable to the Fund than the arrangement applicable generally in accordance with the agreement amongst Deputies.

7. Advance Subscriptions

(a) **Advance Subscription Level**. In order to avoid an interruption in the Fund's ability to make operational commitments pending the effectiveness of the Ninth Replenishment, and if the Fund shall have received Instruments of Subscription from State participants whose subscriptions aggregate not less than the equivalent of **twenty per cent (20%) of the total amount of intended subscriptions listed in Annex 1 to this Resolution (inclusive of the aggregate amount subscribed under the Interim Financing Arrangement)**, the Fund may deem, prior to the Effective Date, an amount equivalent to the first commitment tranche of each subscription for which an Instrument of Subscription has been deposited by a State participant as an advance subscription, unless the State participant specifies otherwise in its Instrument of Subscription.

(b) **Uniformity of Terms**. The terms and conditions applicable to subscriptions under this Resolution shall apply also to advance subscriptions until the Effective Date, when such subscriptions shall be deemed to constitute payment towards the amount due from each State participant for its subscription.

(c) **Interim Voting Rights**. In the event that the Ninth Replenishment shall not have become effective by **31 December 2002**, voting rights for advance subscriptions shall, to the extent of payment therefore, be allocated to each State participant making an advance subscription as if it had been made as a subscription under this Resolution, and each State participant not making an advance subscription shall have the opportunity to exercise its pre-emptive rights with respect to such subscription on such conditions as the Fund shall specify.

(d) **Utilisation of Advance Subscriptions for Operational Commitments**. Without prejudice to the provisions of the preceding sub-paragraphs, any State participant may, if it chooses, notify the Fund that its subscription, or a part thereof, shall be regarded as an advance subscription which may be available to the Fund for the purpose of making commitments prior to the attainment of the advance subscription level specified in sub-paragraph (a) of this paragraph. Upon the attainment of the advance subscription level, the provisions set forth in sub-paragraphs (b) and (c) of this paragraph shall be applicable to any amount made available to the Fund pursuant to the provisions hereof.

Pending the effectiveness of the Ninth Replenishment, deposit with the Fund of an Instrument of Subscription representing not less than 20% of the total amount of intended Subscriptions to be listed in Annex 1 to the Resolution (including the Instruments of Subscription deposited pursuant to the Interim Financing Arrangement) will trigger the Advance Subscription provisions. The rationale for this *provision is to link the Ninth Replenishment with the Interim Financing Arrangement that is intended to minimize any disruption in the operations of the Fund pending the effectiveness of the Ninth Replenishment. This should also facilitate a smooth transition from the ADF-VIII Replenishment period to the ADF-IX Replenishment Period.*

8. Commitment Authority

(a) **Unqualified Subscriptions**. For the purpose of operational commitment and financing by the Fund under its operational programme for the period of the Ninth Replenishment, each Unqualified Subscription shall be divided into three equal tranches, and shall be available for operational commitment as follows:

(i) the First Tranche: on the Effective Date, provided that advance subscriptions may become available for operational commitment prior to the Effective Date pursuant to paragraph 7 of this Resolution;

(ii) the Second Tranche: as from **31 May 2003** or the Effective Date, whichever is later; and

(iii) the Third Tranche: as from **31 March 2004** or the Effective Date, whichever is later.

(b) **Qualified Subscriptions**. Each Qualified Subscription shall become available for operational commitment as and to the extent that it becomes unqualified; which should occur in tranches of at least one third of the total amount of each subscription during the years **2002, 2003 and 2004**, respectively.

(c) **Exceptions**: Notwithstanding the preceding sub-paragraphs:

(i) Any State participant may authorize the use of the tranches of its subscription for operational commitments on a schedule more favourable to the Fund than that specified in sub-paragraphs (a) and (b) above;

(ii) In order to maintain the Burden-sharing arrangement agreed to by the State participants, if a State participant that has deposited an Instrument of Subscription for a Qualified Subscription and whose subscription represents not less than 10% of the total amount of subscriptions listed in Annex 1 hereto has not unqualified an amount equal to that of the second or third tranche, in the time period specified for such tranche in sub-paragraph (b) hereof, that State participant shall indicate to the Fund the revised amount which will become unqualified and its intention as regards making up the shortfall in the next instalment or instalments.

(iii) In such event, the management of the Fund shall promptly inform other State participants of any notification received pursuant to sub–paragraph (ii) above. **Each State participant may, within 30 days thereafter, notify the Fund in writing that operational commitment by the Fund of the second or third tranche, whichever is applicable, of such State participant's subscription shall be reduced pro rata to the extent to which that tranche of the Qualified Subscription has not become unqualified. The right of a State participant shall be deemed waived if no written notice is received by the Fund within the aforesaid period.**

As with previous replenishments, the draft Resolution establishes a clear schedule about when the resources subscribed to the Ninth Replenishment are available for Commitment. Specific dates for the release of tranches are proposed in the text. These proposals are subject to approval by the Deputies and would be subject to the effectiveness of the Ninth Replenishment. Notwithstanding the qualification attached to Qualified Subscriptions and in order to achieve the objective of ensuring that the obligations of State participants are honored at a uniform rate, Qualified Subscriptions are also required to be unqualified and available for operational commitment in the years determined for Unqualified Subscriptions. It is also worth noting that the draft Resolution recognizes certain exceptions to these arrangements, notably the provisions on <u>Pro rata Reduction</u>. In light of the Fund's experience in the application of this exceptional clause during the Seventh Replenishment, attempts have been made to simplify the provisions as well as remove any ambiguities with regard to the procedures. The specific proposals for improvement are highlighted on the text of the draft Resolution.

9. <u>Consultative Meeting of State Participants</u>

If, in the course of the Ninth Replenishment, delays in the deposit of Instruments of Subscription, in the release of tranches of subscription for operational commitment pursuant to paragraph 8 hereof or in the payment of subscriptions cause or threaten to cause a suspension in the Fund's lending or technical assistance operations or otherwise prevent the substantial attainment of the goals of the Ninth Replenishment, the Fund shall, at the direction of the Board of Directors, convene a meeting of representatives of State participants to review the situation and agree on practical steps aimed at fulfilling the conditions necessary for the continuation of the Fund's operations or for the substantial attainment of those goals.

10. General

(a) **Allocation of Voting Rights**. For the purpose of determining the proportionate share of a State participant of the aggregate votes of the State Participants under Article 29(3) of the Agreement and to the extent that payment has been made, each increase in subscriptions by a State participant hereunder, together with subscriptions made pursuant to the Interim Financing Arrangement, shall be added to the subscriptions made by it under Articles 6 and 7 of the Agreement on the 31st of March, 30th of June, 30th of September and 31st of December of each year beginning with the coming into effect of this Resolution.

> *The voting rights acquired by State participants that have made additional individual subscriptions under the Interim Financing Arrangement will be allocated together with the voting rights acquired pursuant to subscriptions made pursuant to the terms of this Resolution and in accordance with Paragraph 10(a).*

(b) **Acceptance by State Participants**. Each State participant accepts the provisions of sub-paragraph (a) herein to the extent that its acceptance is required under Article 29(3) of the Agreement.

(c) **Election of Executive Directors**. For the purposes of Article 27(6)(b) of the Agreement, elections for the Board of Directors shall take place during the annual meeting of the Board of Governors of the Fund in the year 2004.

(d) **Maintenance of Value**. The rights and obligations of State participants making additional subscriptions pursuant to this Resolution, of other State participants, of the Bank, and of the Fund, in respect of the additional subscriptions provided for in this Resolution shall (except as otherwise provided for in this Resolution) be the same as those which govern the initial subscriptions of original participants made pursuant to Article 6 of the Agreement, save that for the purpose of the valuation of additional subscriptions authorised by this Resolution, paragraphs (1) and (2) of Article 13 of the Agreement are hereby waived and shall not be applicable.

> *In accordance with Articles 6, 7 and 13(1) of the Agreement, State participants were under an obligation to maintain the free convertibility and value of the currencies used for their initial subscriptions and subscriptions made under the First Replenishment. Likewise, the Fund under Article 13(2) of the Agreement was obligated to return to a State participant an amount of the State participant's currency if the par value of such participant's currency has increased in terms of the Unit of Account. Since the Second Replenishment, the Fund, the Bank and State participants have agreed to waive the maintenance of value provisions for each replenishment, without adversely affecting the rights and obligations relating to the initial subscriptions and subscriptions under the First*

(e) **Administration of outstanding ADF-VIII Subscriptions**. On the Effective Date of the Ninth Replenishment, any funds, receipts, assets or other resources held by the Fund under the Eighth Replenishment will be administered under the Ninth Replenishment, subject, as appropriate, to the terms and conditions applicable to the Eighth Replenishment.

(f) **General Authorization**. The Board of Directors shall take all such measures, as shall be necessary or expedient, for the proper implementation of this Resolution in the light of the policy objectives and the operational guidelines set out in the Report.

Exchange Rates

Subscriptions made under this Resolution, as shown against each State participant in Annex 1, have been determined on the basis of daily exchange rates, averaged monthly, expressed in terms of currency units per SDR as given by the International Monetary Fund, for the six months period commencing **1 June 2001** and ending on and including **30 November 2001**.

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* **GENERAL COUNSEL'S NOTE:** The Italicized text in boxes throughout this Resolution is for explanatory purposes only and shall not be binding on State participants.

Annex 1

SUBSCRIPTION TO THE NINTH REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND (a)
(INCLUDES CONTRIBUTIONS TO THE INTERIM FINANCING ARRANGEMENT)

STATE PARTICIPANTS	BURDEN SHARE REPARTITION DU FARDEAU	CONTRIBUTIONS IN UA	UNITS OF OBLIGATION UNITE D'ENGAGEMENT	EXCHANGE RATE (b) TAUX DE CHANGE	AMOUNT SUBSCRIBED IN CURRENCY OF OBLIGATION MONTANT A SOUSCRIRE EN MONNAIE
1 ARGENTINA	0.000%	-	-	-	
2 AUSTRIA/AUTRICHE	0.980%	23,235,615	EUR	1.439525	33,448,249
3 BELGIUM/BELGIQUE (g)	1.650%	39,105,000	EUR	1.439525	56,292,625
4 BRAZIL/BRESIL (g)	0.334%	7,912,469	USD	1.263828	10,000,000
5 CANADA	4.500%	106,650,000	CAD	1.958092	208,830,512
6 CHINA/CHINE	1.642%	38,915,400	USD	1.263828	49,182,372
7 DENMARK/DANEMARK (g)	3.000%	71,100,000	DKK	10.712597	761,665,647
8 FINLAND/FINLANDE	1.500%	35,550,000	EUR	1.439525	51,175,114
9 FRANCE	7.328%	173,668,398	EUR	1.439525	250,000,000
10 GERMANY/ALLEMAGNE	8.354%	198,000,000	EUR	1.439525	285,025,950
11 INDIA/INDE (h)	0.174%	4,124,340	INR	59.997478	247,450,000
12 ITALY/ITALIE	4.300%	101,910,000	EUR	1.439525	146,701,993
13 JAPAN/JAPON	8.817%	208,964,756	JPY	154.176602	32,217,476,000
14 KOREA/COREE	0.636%	15,073,200	KRW	1636.637679	24,669,367,063
15 KUWAIT/KOWEIT	0.336%	7,963,200	USD	1.263828	10,064,115
16 THE NETHERLANDS/PAY-BAS (c)	3.700%	87,690,000	EUR	1.439525	126,231,947
17 NORWAY/NORVEGE (d)	3.540%	83,898,000	NOK	11.459307	961,412,939
18 PORTUGAL	0.642%	15,215,400	EUR	1.439525	21,902,949
19 SAUDI ARABIA/A. SAOUDITE (f)	0.540%	12,800,397	USD	1.263828	16,177,500
20 SOUTH AFRICA /AFRIQUE DU SUD (f)	0.118%	2,794,579	ZAR	10.895775	30,449,102
21 SPAIN/ESPAGNE	2.000%	47,400,000	EUR	1.439525	68,233,485
22 SWEDEN/SUEDE	4.000%	94,800,000	SEK	13.491597	1,279,003,396
23 SWITZERLAND/SUISSE	3.000%	71,100,000	CHF	2.158534	153,471,767
24 UNITED ARAB EMIRATES / EMIRATS ARAB UNIS	0.000%	-	-	-	
25 UNITED KINGDOM/ROYAUME-UNI (e)	5.500%	130,350,000	GBP	0.885770	115,460,120
26 U.S.A/ETATS UNIS D 'AMERIQUE (c)	11.819%	280,101,406	USD	1.263828	354,000,000
TOTAL DONOR CONTRIBUTIONS	78.410%	1,858,322,159			
SUPPLEMENTAL CONTRIBUTIONS THROUGH ACCELERATION	1.739%	41,211,781			
VOLUNTARY CONTRIBUTIONS	0.496%	11,752,000			
UNALLOCATED GAP	19.355%	458,714,060			
REPLENISHMENT LEVEL	100.000%	2,370,000,000			
INTERNALLY GENERATED RESOURCES		344,490,000			
TOTAL RESOURCES		2,714,490,000			

Note:

(a) Based on a 10 year encashment schedule starting in 2004.
(b) Average of daily exchange rates for the period 1st June to 30 November 2001.
(c) Increased burden share compared to ADF-VIII.
(d) In addition, voluntary contribution of UA 4,602,000.
(e) In addition, voluntary contribution of UA 7,150,000.
(f) Increased burden share compared to ADF-VIII through accelerated encashments.
(g) Used accelerated encashment to realize same burden share as for ADF-VIII
(h) Will make an effort to increase its burden share to the ADF-VIII level of 0,191%

Annex 2

ADF-IX STANDARD ENCASHMENT SCHEDULE*	
Year	**Encashment Percentage**
2004	6.094
2005	10.742
2006	13.690
2007	14.615
2008	14.527
2009	12.901
2010	10.202
2011	7.903
2012	6.763
2013	2.563
Total	**100.00**

*Each year's encashment will be effected in four (4) equal quarterly installments, on the days that will be communicated each year by the Fund.

AFRICAN DEVELOPMENT FUND

ADF IX

A Partnership for Poverty Reduction in Africa

Report of the ADF Deputies on the Consultative Meetings on the Ninth General Replenishment of Resources for the African Development Fund

Executive Summary

September 2002

I. Introduction and Overview

i. The African Development Fund (ADF) plays a critical role in providing concessional finance and technical assistance for a large number of low-income African countries. Deputies representing State Participants in the Fund held consultations in the course of 2001 and 2002 and reached agreement on the Ninth Replenishment of the Fund (ADF-IX). The discussions were enriched by the participation, for the first time, of representatives of some African countries and by the exchange of views with regional non-governmental organizations (NGOs).

ii. The ADF-IX consultations proceeded against a background of continued development challenges for the African Continent and marked changes in the global economy. Despite some promising recent trends, the economies of most African countries remain weak with close to half of the Continent's population living in absolute poverty. On present trends, meeting the Millennium Development Goals remains a huge challenge for most African countries.

iii. On the global scene, the recent economic slowdown in the industrialized countries and the aftermath of the September 11th terrorist attacks on the United States has hit African countries the hardest. Deputies agree that the need for global collective action has never been more immediate and the Fund has an important role to play in assisting African countries to increase productivity, to promote pro-growth policies necessary for poverty reduction and social development, for which increased productivity is of the essence. Deputies agree that the scale of reforms undertaken the Fund to date, complemented by the real commitment to sharpening the focus and selectivity of its interventions and a results-based approach to operations embodied in this replenishment, make the Fund an important partner in such efforts.

iv. Deputies reaffirm their commitment to strengthening the operational effectiveness of the Fund and to coordinate and distinguish better its operations from those of other multilateral institutions such as IDA. They call on the Fund to do a better job of disseminating and learning from its successes and its failures, while thinking in innovative ways about tackling Africa's serious development challenges. Towards this end, Deputies request that ADF-IX resources focus on countries with a sound policy environment and demonstrated performance and call for rigorous efforts to measure the results and outcomes of Fund operations.

v. Deputies affirm that poverty reduction, underpinned by efforts to improve productivity and economic growth, will continue to be the overarching objective of Fund operations. Deputies agree that the following policy objectives will provide the broad policy framework for Fund operations under ADF-IX:

- Achieve **greater selectivity and focus** in Fund operations with an increased allocation of resources to priority areas;
- Enhance the Fund's **development effectiveness** with measurable results on the ground;
- Improve the link between **lending and performance** including a stronger linkage among poverty reductions strategies papers (PRSPs), the Fund's Country Performance Assessment (CPA), and the Fund's Country Strategy Papers (CSPs)**;** and
- Deepen **coordination** with other development partners and enhance **participation** of stakeholders.

II. Summary of the Conclusions and Recommendations of Deputies

A. Greater Selectivity and Focus

vi. Deputies call on the Fund **to narrow its focus** within the priority areas identified in the Bank Group's Vision Statement. Accordingly, Fund engagement in countries will be informed by: the Poverty Reduction Strategies Papers (PRSPs) of these countries; the Fund's comparative advantage vis-a-vis other partners (in particular IDA in the context of the Memorandum of Understanding with the World Bank); country performance; and adequacy of national fiduciary controls.

vii. Deputies call on the Fund, working with other development partners, to be **a vigorous advocate of good policy performance** by assisting countries to improve the quality of their PRSPs through establishing priorities, costing reforms, strengthening public expenditure management systems and including measurable indicators. They support the Fund's objective to gradually adopt, as appropriate, **Sector Wide Approaches (SWAPs**) in support of these country-owned strategies.

Operational Priorities

viii. Deputies agree on the following operational priorities for ADF-IX.

- As the vast majority of the poor live in rural areas and the agricultural sector often provides the engine for growth, Deputies agree that **agriculture and rural development** should remain the most important sector for Fund operations.
- Deputies stress the importance of investments in **education and health** and direct the Fund to give high priority to funding interventions in these sectors, and, in particular, to primary education and primary health care. Deputies also call on the Fund to work closely with specialized agencies and organization in the fight against communicable diseases.
- Deputies reiterate the importance of promoting **good governance** and improved **public sector management** in African countries and direct that the Fund step up its efforts to help borrowers build the capacity to manage, monitor and evaluate public expenditures, strengthen internal rules, and encourage transparency and accountability.
- Deputies request that the Fund work closely with IDA to support the development of a robust and competitive **private sector** by promoting a healthy investment climate in its borrowing countries and by continuing to support Small and Medium Enterprises (SMEs).
- Deputies stress the importance of **regional integration** for economic growth through the development of better inter-linkages between African countries and improved market access, and support the Fund's continued involvement in this area.
- In all its operations, Deputies call on the Fund to mainstream **gender concerns** and to promote the **sustainable management of the environment**.
- Deputies agree on a *limited* role for the Fund in **post-conflict** countries, focused in particular on medium-to long-term development assistance and working in close collaboration with other partners.

Strengthening Fund Policies

ix. Deputies request that the Fund take measures to strengthen its policies. Specifically Deputies:

- urge the Fund to complete the revision of its **Poverty Reduction Policy**;
- call on the Bank Group to update its strategy for **private sector development**, including the appropriate organizational structure to support this strategy;
- call on the Fund to review, with inputs from government and civil society stakeholders, its **environment policy** to integrate further environmental concerns into its country programming and lending operations and to bring its environmental guidelines in line with other MDBs;
- recommend that the Fund strengthen **country strategy papers** (CSPs) to ensure that they serve as the Fund's business plan for operationalizing those portions of the PRSP that are in line with key Fund goals and priorities and that they justify volume and instruments of assistance;
- ask the Fund to introduce new non-lending instruments, including **regional strategy papers and interim country strategy papers**, to further sharpen its strategy on regional integration and post-conflict intervention;
- call on the Fund to routinely rely on key **diagnostic and economic and sector work** in the development of operations and country strategy papers, drawing importantly on work produced by other institutions as appropriate; and
- call on the Fund to review and update its **information disclosure policy** with the aim of deepening and improving disclosure practices, including through the better use of the Bank's web site, to ensure that the Fund continues to place itself at the forefront of IFI transparency.

B. Measuring Results and Enhancing Development Effectiveness

x. Deputies agree that the Fund needs to demonstrate more effectively how its operations increase the productive capacity of its borrowing countries and reduce poverty. In this regard, they ask the Fund to work closely with its development partners and key stakeholders, and to collaborate with the World Bank in the development of a model for measuring the Fund's impact on poverty reduction. Specifically, Deputies:

- ask the Fund to develop appropriate **quantifiable and monitorable indicators** for all sectors and crosscutting issues for monitoring project success and measuring the Fund's development effectiveness and further ask that all program and project documents contain clear and measurable indicators of expected performance outcomes;
- direct the Fund to establish a **results-based management system** for tracking these indicators, measuring results and identifying best practices;
- ask the Board's **Committee on Development Effectiveness** (**CODE)** to monitor closely the Fund's work on developing such indicators;
- call on the Fund to improve the Bank's internal review and feedback process in order to incorporate **lessons learned**, and to better publicize its successes;
- call on the Bank, in the context of the new organizational structure, to have in place an **Inspection Panel** within six months of effectiveness of ADF-IX, to strengthen **the anti-fraud and corruption investigation mechanism,** and to establish a **policy compliance unit** in the context of the re-organization of the Bank;
- call on the Fund to consolidate all existing best practices and new initiatives to enhance effectiveness into a **single action plan** and to report progress against it on an annual basis; and

- ask the Fund to produce by the end of the ADF-IX period, an **independent evaluation of the Fund's performance in implementing the undertakings agreed under ADF-VII, VIII and IX.**

C. Country Eligibility, Resource Allocation System, and Terms of ADF-IX Financing

xi. Deputies agree that the poorest countries should continue to be the major beneficiaries of ADF resources and stress that the allocation of resources to countries should continue to be performance-based. The bulk of the Fund's resources should go to performing countries as measured by the Bank's Country Performance Assessment (CPA) system. Deputies also stress the importance of transparency and disclosure of the outcomes of the CPA exercise as a means to exert peer pressure among borrowing member countries to enhance performance and promote good governance. Specifically, Deputies:

- agree that only countries deemed **not creditworthy** for non-concessional financing and countries deemed creditworthy for blend financing by the World Bank will have access to Fund resources;
- call on the Fund to review the performance-based allocation system and propose refinements to the **Country Performance Assessment (CPA) system***,* considering different approaches to give greater weighting to governance in a country's overall rating;
- request that **CPA ratings by quintile and descriptions of governance ratings** be made available to the Board of Directors, regional member countries and other stakeholders via the Bank's web site; and
- recommend that a country's **overall CPA rating** be thoroughly described in its Country Strategy Paper (CSP).

xii. Deputies agreed to increase further the concessionality of ADF resources. They accordingly agreed that during the ADF-IX period, the **overall level of ADF grants would be in the range of 18-21 percent of total available ADF-IX resources**. They in addition agreed on the following levels of grants for Fund-eligible countries:

- In Fund-only countries with an annual average per capita income of less than or equal to a GNI of $360, up to **27 percent of ADF allocations** for countries in this category would be delivered in the form of grants.
- In Fund-only countries with an annual average per capita income of more than a GNI of $360, up to **7.5 percent of ADF allocations** for countries in this category would be delivered in the form of grants.
- In blend countries, up **to 7.5 percent of ADF allocations** for countries in this category would be delivered in the form of grants.

xiii. Deputies emphasized the importance of taking into account **countries' performance** in determining the allocation of grant resources. Deputies further agreed that **PRSs should be the guiding framework** for the use of grants, recognizing the importance of funding HIV/AIDS interventions, post-conflict reconstruction, investments in education, health, and the provision of water and sanitation, and natural disaster reconstruction as well as technical assistance and capacity building interventions.

xiv. Deputies stressed that the **impact of grants on ADF finances** should be explicitly treated in ADF's framework and that the costs should be specifically compensated by additional donor contributions. They recommend, as an initial step, that **UA15 million in resources be provided for the period of the ADF-IX replenishment from internally generated resources** and that further resources be made available from additional voluntary contributions. They also agreed that at the ADF-IX Mid Term Review they would discuss financing options and decide at that time on an **equitable mechanism** to provide for grant financing requirements.

D. Improved Donor Coordination and Strengthened Partnerships

xv. Deputies request that the Fund strengthen strategic partnerships with other development partners to find efficiency gains both for donors and borrowers. More specifically, Deputies call on the Fund:

- to report annually to the Board of Directors on the implementation of the **Memoranda of Understanding (MOU) with the World Bank and other key development partners.**
- to revise and continue to develop MOUs with other development partners, as appropriate, including **IFAD and UNDP.**
- to continue to **harmonize** to the highest standard, Bank policies with those of other international financial institutions (IFIs) and in particular with the World Bank to reduce transaction costs for borrowing countries.

xvi. Deputies stress the importance of **stakeholder participation** in the preparation of policies and Country Strategy Papers (CSPs) and at all stages of the project cycle. They urge the Fund to improve its responsiveness to its clients by continuing to implement a broad-based participatory approach and by engaging systematically in consultations with broad groups of civil society in the design of its policies and CSPs.

xvii. Deputies recognize the growing importance of **Sector-Wide Approaches** (SWAPs) as medium term collaborative work programs and welcome the Fund's increased participation in such frameworks, underlining the need to build staff capacity in economic and sector work (ESW), and closer collaboration with borrowing countries and other development partners.

E. Organizational, Management and Membership Issues

xviii. Deputies urge the speedy implementation of the **new organization structure** to ensure that it is fully in place by the end of 2002 and look forward to the presentation of the Bank's first Strategic Plan. They underscore the need to address the shortfall in staff skills and competencies through a mixture of training of existing staff and recruitment of new specialists.

xix. Deputies welcome the plan by the Bank Group to establish 25 **regional and country offices** and note the measures taken so far to strengthen the Bank Group's operational presence and visibility with the opening of such offices in Egypt, Ethiopia, Gabon, and, Nigeria, with plans to open another office in South Africa. In Fund-only countries, Deputies suggest that priority be given to opening of field offices in countries where the Bank's presence is significant in terms of overall ODA resource flows.

xx. Deputies agree that there should be a **mid-term review** of ADF-IX no later than 18 months after the effectiveness of the replenishment and before the release of the last tranche.

F. Target Replenishment Level

xxi. Deputies agree on a target replenishment level of UA 2.37 billion for ADF-IX, covering the period 2002-2004.[5]

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[5] In addition, internally generated resources are expected to amount to UA 344.5 million during the ADF-IX period.

AFRICAN DEVELOPMENT FUND

ADF-IX

A Partnership for Poverty Reduction in Africa

Report of the ADF Deputies on the Consultative Meetings on the Ninth General Replenishment of Resources for the African Development Fund

September 2002

Report of the ADF Deputies on the Consultative Meetings on the Ninth General Replenishment of Resources for the African Development Fund

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Annexes

Acronyms

ADB	African Development Bank
ADF	African Development Fund
ADF-VIII	Eighth Replenishment of the African Development Fund
ADF-IX	Ninth Replenishment of the African Development Fund
AIDS	Acquired Immune Deficiency Syndrome
AMINA	ADF Micro-finance Initiative for Africa
APPR	Annual Portfolio Performance Review
AU	African Union
BWIs	Bretton Woods Institutions [IMF and WB]
CDP	Country Dialogue Paper
CGP	Country Governance Profile
CFAA	Country Financial Accountability Assessment
CODE	Committee on Operations Development Effectiveness
CPA	Country Performance Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
CPR	Country Portfolio Rating
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
ESW	Economic and Sector Work
GATM	Global Fund to fight AIDS, TB, and Malaria
GEF	Global Environment Facility
GNP	Gross National Product
HIPCs	Highly Indebted Poor Countries
HIV	Human Immune Virus
ICSP	Interim Country Strategy Paper
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFIs	International Financial Institutions
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MOU	Memorandum of Understanding
NDR	Net Development Resources
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organisations
OAU/AU	Organisation of African Unity/African Unity
ODA	Official Development Assistance
PBL	Policy Based Lending
PER	Public Expenditure Review
PIM	Policy Implementation Matrix
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RBM	Results-based Management
RECs	Regional Economic Communities
RISP	Regional Institutional Strategy Paper
RMC	Regional Member Country
RSP	Regional Strategy Paper
SAL	Structural Adjustment Loan
SECAL	Sector Adjustment Loan
SMEs	Small and Medium-sized Enterprises
SWAPs	Sector Wide Approaches
TAF	Technical Assistance Fund
UA	ADB Group Unit of Account [UA 1.00 is equal to SDR 1.00]
UNDP	United Nations Development Program

I. Introduction

1.1 The African Development Fund (ADF) represents a singular partnership for development between ADF contributors and African countries. The Fund supports the development efforts of poor African countries as they seek to raise living standards and reduce poverty by enhancing productivity and economic growth. It is one of the most important sources of concessional finance and technical assistance for a large number of African countries. Since the start of its operations in 1974, the Fund has made UA12.6 billion of resources available to African countries.[6]

1.2 Deputies representing State Participants in the Fund began consultations on the Ninth Replenishment of the Fund (ADF-IX) in May 2001 and held six meetings under the Chairmanship of Mr. Karel van Kesteren, Director, United Nations and International Financial Institutions, Ministry of Foreign Affairs, the Government of the Netherlands.[7] The discussions were enriched by the participation, for the first time, of representatives of some African countries and by the exchange of views with regional non-governmental organizations (NGOs).

1.3 Deputies discussed the development challenges facing the African continent and the progress made by the Fund in carrying out its mandate. They noted that the recent economic slowdown in the industrialized countries, particularly in the aftermath of the September 11th terrorist attacks on the United States, is hitting African countries the hardest. Deputies agreed that the need for global collective action has never been more immediate and the Fund has an important role to play in assisting African countries to promote pro-growth policies necessary for poverty reduction and social development.

1.4 Deputies provided guidance on sharpening the policy objectives of the Fund, stressing the importance of increased selectivity and focus in Fund operations -- based on its Vision Statement -- comparative advantage, and closer collaboration with other development partners. Further, Deputies emphasized the need to assure enhanced development effectiveness for Fund-financed projects and programs by putting in place systems for measuring results on the ground and by taking timely corrective action as required. They also agreed on the eligibility criteria for access to Fund resources, the need to fine tune the resource allocation process among countries, and to ensure that the bulk of resources go to countries with a sound policy environment and a track record of good performance. Deputies agreed on a target replenishment level of UA 2.37 billion for the period 2002-2004.

1.5 This report represents the outcome of their consultations. It will serve as a basis for updating the Fund's Lending Policy. Management will submit for approval by the Board of Directors a revised Lending Policy together with a Policy Implementation Matrix (PIM) to guide the operations of the Fund under ADF-IX. An independent evaluation of the Fund's performance in implementing the undertakings of the ADF-

[6] This is up to the end of 2001.

[7] The six meetings were held in: Valencia, Spain, 31 May – 1 June 2001; Yamoussoukro, Cote d'Ivoire, 5-7 September 2001; Maputo, Mozambique 6-8 November 2001; and Stockholm, Sweden, 11-12 December 2001; Paris, France 23-24 April 2002; and Oslo, Norway, 23-24 September 2002. See Annex III for the list of background documentation prepared for these meetings.

VII, VIII and IX replenishments will also be prepared prior to the start of negotiations for ADF-X in order to inform subsequent engagements.

II. The Challenge of Poverty Reduction and Sustainable Growth in Africa

2.1 Deputies noted that African countries continue to face daunting development challenges. Despite some promising trends in the last decade, the economies of most African countries remain weak. Close to half of the continent's population live in absolute poverty, with other human development indicators for the region among the lowest in the world. The structure of most African economies has changed little in the last decade, with most African countries continuing to rely on the export of one or two primary commodities for their export earnings. Most also continue to remain dependent on official development assistance. A particular obstacle for the continent's development has been violent conflicts, which have adversely affected the well being of citizens, the prospects for sustainable economic activity, and the possibilities for regional cooperation. Lasting peace and conflict prevention are therefore essential pre-requisites for the Continent's development and for gaining the support of the international community.

2.2 Deputies affirmed that the Millennium Development Goals (MDGs) and other agreed targets adopted by the international community provide a basic point of reference for measuring country and global development progress. One of the most important goals is to reduce the number of people living in absolute poverty by half between 1990 and 2015 (see Box 1 below). On present trends, meeting the MDGs will remain a huge challenge for most African countries.

Box 1. The Millennium Development Goals (MDGs)

The Millennium Development Goals are contained in the Millennium Declaration adopted by the United Nations Millennium Summit in September 2000. They are a refinement of the International Development Goals and are derived from the agreements and resolutions of United Nations conferences in the 1990s. They consist of the following eight goals:

1. Eradicate extreme poverty and hunger:
- *Halve the proportion of people whose income is less than one dollar a day by year 2015;*
- *Halve the proportion of people who suffer from hunger by year 2015;*

2. Attain universal primary education in all countries by year 2015:
- *Ensure children of both sexes everywhere will be able to complete a full course of primary schooling.*

3. Promote gender equality and empower women;
- *Eliminate gender disparity in primary and secondary education, preferably by year 2005, and at all levels of education no later that 2015;*

4. Reduce child mortality:
- *Reduce by two-thirds under five mortality rate by 2015;*

5. Improve maternal health
- *Reduce by three-quarters the maternal mortality ratio by year 2015;*

6. Combat HIV/AIDS, malaria and other diseases
- *Halt by 2015, and begin to reverse the spread of HIV/AIDS;*
- *Halt by 2015, and begin to reverse the incidence of malaria and other major diseases;*

7. Ensure Environmental sustainability
- *Integrate the principles of sustainable development into country polices and programs and reverse the loss of environmental resources;*
- *Halve by 2015 the proportion of people without access to safe drinking water;*
- *Achieve a significant improvement in the lives of at least 1000 million slum dwellers by 2020;*

8. Develop a global partnership for development:

- *Develop further an open, rule-based, predictable, non-discriminatory trading and financial system;*
- *Address the special needs of the least developed countries;*
- *Address the special needs of land-locked countries and small island developing states;*
- *Deal comprehensively with the debt problem of developing countries through national and international measures in order to make debt sustainable in the long term;*
- *In cooperation with developing countries, develop and implement strategies for decent and productive work for youth;*
- *In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries;*
- *In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.*

2.3 Despite the immense development challenges that they face, African countries, nonetheless, have the potential of making significant economic and social progress. Indeed, as a few African counties have shown, notable advances in such important areas as increasing the enrollment of school children and improving access to basic health services can be made in a relatively short time.

2.4 Against this background, Deputies welcomed the launch of the *New Partnership for Africa's Development* (NEPAD) that represents an affirmation by African countries that reducing poverty is indeed the key challenge facing them. Deputies appreciated the unequivocal declaration by the Continent's leaders that the preconditions for poverty reduction and sustainable growth are peace, democracy, respect for human rights, sound economic management, and regional cooperation and integration. Deputies agreed that progress on these fronts would create the basis for the new partnership with the international community that African countries have called for. Deputies noted the close involvement of the Fund in the further elaboration of NEPAD and welcomed its support for this important initiative. They noted that the Bank had been asked to take a leadership role on work related to infrastructure, banking and finance, and (with the ECA) governance. Deputies look forward to a clear and focused role being defined for the Bank Group in NEPAD, consistent with the priorities identified under its Vision Statement and the Ninth Replenishment of the African Development Fund (ADF-IX).

2.5 Deputies agreed that overall progress towards achieving the MDGs and other internationally agreed targets is dependent on African countries adopting sound economic and social policies. Indeed, international assistance is only made effective in countries with a sound policy environment. Accordingly, African countries would need, in the first instance, to improve systems of governance and prevent conflicts, as these are essential pre-requisites for economic and social progress and for fostering private investment, both domestic and foreign. They will, in addition, need to raise productivity and economic growth rates -- as well as diversify their economies -- while ensuring that growth is broad-based. The latter is, in turn, dependent on the design of good poverty reduction strategies. These should include adequate investments in human capital formation by targeted investment in key social sectors such as primary health and education, as these are essential for raising the capabilities of the poor to participate in the growth process.

2.6 Deputies also stressed the need for African countries to put in place effective fiduciary and administrative systems for the efficient, effective, and accountable use of donor resources. In this regard, Deputies called for a stepped-up effort by the Fund in assisting borrowers to build capacity to manage and monitor public expenditures to improve service delivery and to ensure full transparency and accountability for public and donor resources. Deputies agreed that the Fund has an important role to play in this area, particularly given the Fund's expected leadership in promoting good governance in Africa. They called on the Fund to work closely with its development partners, particularly the World Bank, in defining more clearly its role.

2.7 Given the current low levels of savings and investment rates in many countries, much of the resources required to increase growth rates in Africa will, in the medium term, have to come from external sources, complemented by national efforts to enhance domestic resource mobilization. Deputies noted, in this regard, that the current slowdown of the global economy, which has been accentuated by the events of 11 September 2001, are likely to create serious balance of payments difficulties for most African countries. They acknowledged the importance of providing significant external assistance to African countries to withstand the impact of these adverse developments. They, however, stressed the importance of assisting African countries to become more financially self-reliant in the medium- to long-term.

2.8 In this regard, Deputies noted that the Fund could make a significant contribution to the broad international effort to mobilize and use effectively scarce development resources. However, they stressed the need for close collaboration between the international finance institutions (IFIs), United Nations agencies, and bilateral donors to ensure the harmonization of procedures to the highest standards possible to reduce unnecessary transaction costs for African countries.

III. Fund Operations under ADF VIII

3.1 Deputies reviewed the Fund's progress under ADF-VIII. They recalled that, within the overall objective of poverty reduction, Deputies had: (a) set operational priorities for the Fund in line with the Bank Group's Vision; (b) approved a revised Country Performance Assessment (CPA) system as the basis for the allocation of resources among countries; (c) approved the lending and non-lending instruments to be used by the Fund; (d) agreed on a number of steps to improve operational effectiveness; and (e) agreed on measures to strengthen the institutional capacity of the Fund and the management of its resources.[8]

3.2 Deputies welcomed the steps that the Fund had taken to realize the goals and objectives that had been set for ADF-VIII. More specifically, Deputies noted the progress that the Fund had made in the following areas.

3.3 *Operationalization of the Vision*: Deputies welcomed the Fund's introduction of new and revised policies and guidelines in response to the Vision and to guide the Fund's support to projects and programs in priority areas (See Annex V).[9] They noted

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[8] See *ADF-VIII: Report of the ADF Deputies*, January 1999.

[9] See Annex VI for a short summary of the policies and guidelines that were prepared in the course of ADF-VIII.

that the policy framework for nearly all priority sectors and areas had now been completed and that these had been prepared in a participatory manner involving all stakeholders.

3.4 *Enhancing Operational Effectiveness***.** Deputies also noted that the Fund had taken steps to improve its primary planning tool -- the Country Strategy Paper (CSP) – to respond better to the needs of each borrowing member country by using participatory approaches and promoting strategic partnerships between the country, its stakeholders, and members of the donor community. The Fund has also increasingly become more selective in terms of areas and size of operations, channelling resources to fewer priority sectors and optimizing the size of individual projects to enhance economies of scale and reduce operational transaction costs. It has also started to participate in sector wide approaches (SWAPs) that provide a more strategic vantage point of the development challenges in a given sector, enabling the use of a combination of instruments to maximize impact.

3.5 *Improving the Management of the Fund's Portfolio*: Deputies welcomed the steps taken to improve the management of the Fund's portfolio and to enhance operational effectiveness. These have included: strengthening the role of borrowing countries in the identification and design of new operations; introducing review processes aimed at improving the quality of new operations; increasing the number and skills mix of supervision missions for on-going projects and programs; initiating mandatory mid-term reviews for all new projects and programs; and analyzing progress in the implementation of on-going projects through its Annual Portfolio Performance Review (APPR), leading to the restructuring of some and outright cancellation of non-performing operations.

3.6 *Country Performance Assessment System*: Deputies welcomed the introduction by the Fund of the performance-based resource allocation system – the Country Performance Assessment (CPA) – in 1999.[10] Deputies noted that the introduction of the CPA has led to the bulk of the Fund's resources being allocated to countries where the policy and institutional environment is most conducive for sustainable and broad-based growth. The introduction of the CPA has also enabled the Fund to stress the importance of poverty reduction and other critical issues, such as governance and regional integration and public expenditure management, during policy and program dialogue with countries.

3.7 *Information Disclosure*: Deputies commended the Bank Group for its policy of making all loan documents, Country Strategy Papers (CSPs), and policy papers available to the public upon Board approval. Deputies also welcomed the Bank Group's frequent public consultations on draft policies.

3.8 *Improved Coordination with Donors and Regional Member Countries***.** Deputies noted that the Fund had taken several measures to enhance the coordination of its

[10] The Country Performance Assessment (CPA) is made up of two parts: the Country Policy and Institutional Assessment (CPIA), and the Country Portfolio Rating (CPR). The CPIA awards ratings to countries based on scores from assessment criteria grouped into clusters on macroeconomic and structural policies; policies for growth with equity and poverty reduction; and policies for good governance and public sector performance. The CPR, in turn, measures performance of the Bank's portfolio, highlighting the degree to which the Bank's portfolio in the country is at risk.

interventions with regional member countries and other development partners. These have included: regular policy dialogues and consultations with borrowing member countries; formal signing of a Memorandum of Understanding (MOU) with the World Bank and preparation of similar arrangements with the IMF and several other development partners; and strengthened relations with specialized United Nations agencies. Deputies also welcomed the Bank Group's plan to open 25 field offices during the ensuing five years, with the first phase involving the establishment of offices in Egypt, Ethiopia, Gabon, and Nigeria having been accomplished, and with plans to open another office in South Africa.

3.9 *Use of Resources*: Deputies noted that despite operational difficulties, including the problem of arrears and conflicts involving several member countries, the Fund has been able to commit ADF-VIII resources in line with the operational priorities set out in the Vision and its performance-based country allocation system.

IV. The Policy Objectives and Strategic Orientation of ADF-IX Operations

4.1 Deputies agreed that while the Fund had made considerable progress in creating a coherent and comprehensive policy framework as well as improving its internal procedures and processes under ADF-VIII, the main challenge facing it in the future will be to ensure that the projects and programs it supports achieve measurable results and the intended development impact. Deputies therefore agreed that Fund operations under ADF-IX should be guided by further consolidation of the priorities identified in the Vision of the Bank Group. In addition, the particular challenges posed by post-conflict countries and communicable diseases would also warrant a focused response by the Fund. More specifically, Deputies agreed that Fund engagements under ADF-IX should be guided by the following policy objectives.

4.2 *Poverty Reduction.* Deputies re-affirmed that under ADF-IX, poverty reduction, underpinned by efforts to improve productivity, raise economic growth rates, and enhance human capital development should continue to be the overarching objective of Fund operations and that all its activities must be a means to that end. They urged the Fund to complete the revision to the *Poverty Reduction Policy* for consideration by the Board in 2002. They called on it to monitor progress in the implementation of the Policy and to continue to present its *Annual Progress Report on Poverty Reduction*.

4.3 *Greater Selectivity in Fund Operations*. Deputies underscored the importance of selectivity in Fund operations, focusing more narrowly on the priorities set out under its Vision, by clearly defining the key critical areas for intervention under each priority. Deputies agreed that the Fund would need to formulate concrete action plans for the selected priority areas, taking due account of the Fund's past experience and its best practices. These should take into account: the Fund's comparative advantage; improving coordination with other multilateral and bilateral development partners; improving internal capacity, and developing a system for measuring program results and defining best practices and lessons learned which can then feed back into new programs.

4.4 *Enhancing Development Effectiveness*. Deputies underlined the importance of Fund operations delivering real measurable results on the ground. To this end they directed the Fund to continue to take measures to improve overall effectiveness. Deputies emphasized the importance of the Fund being able to report on results achieved. They therefore encouraged the Fund to continue to develop appropriate quantifiable indicators to be used in the monitoring and evaluation of ADF operations, and that such indicators should be systematically incorporated in all projects and programs. These performance indicators should be developed individually at the project, country and corporate levels, with a clear focus on results. Deputies agreed that the millennium development goals should provide a basic point of reference in these efforts, with both the Fund and countries themselves monitoring and reporting on progress. To this end, they called on the Fund, in conjunction with other development agencies, to assist in developing evaluation capacities in borrower countries and harmonization of this work among development agencies.

4.5 *Stronger Linkage between Poverty Reduction Strategies and the Fund's CSPs*. Deputies underscored that ADF-IX interventions should be informed by the development strategies of regional member countries as formulated in their poverty reduction strategies. Recognizing that the Poverty Reduction Strategy Paper (PRSP) is a country-owned document, Deputies reaffirmed that the Fund should, together with other development partners, continue to be a vigorous advocate of good policy performance and provide adequate monitoring of their implementation. It should also assist governments to improve the quality of the policy content of PRSPs, for example, by establishing priorities, costing reforms, strengthening public expenditure management systems, and by including measurable indicators. Deputies asked that the Fund incorporate the analysis, results and recommendations of these country-owned strategies, and, where appropriate, the technical analysis of other development partners, into the design of its own CSPs. Deputies affirmed that CSPs should be the Bank's business plan for operationalizing those portions of PRSs that are in line with the priorities set out in this report.[11] Deputies urge the Fund to look into the modalities of introducing lending scenarios and policy triggers in CSPs, necessary for a higher level of resources. Finally, Deputies called for the Fund's CSPs to be more strategic and demonstrate greater selectivity in the allocation of scarce ADF resources.

4.6 *Increased Allocation of Resources to Priority Areas*. Deputies urged the Fund to significantly increase the proportion of its total resources going to the critical productivity-enhancing priorities of human capital formation and agriculture and rural development. In addition, the Fund should take a stronger leadership role in governance and seek innovative ways of accelerating the identification and implementation of regional cooperation projects and programs, given the institutional weaknesses of regional economic communities. The Fund's role in providing post-conflict assistance and in the fight against communicable diseases should be limited and narrowly defined and undertaken in conjunction with multilateral and bilateral development partners that have a comparative advantage in these areas.

4.7 *Greater Linkage between County Performance and Lending*. Deputies stressed that the allocation of resources to countries should be based on performance, with the

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[11] CSPs would be expected to describe thoroughly the Fund's strategy for engagement in a country, detail its proposed pipeline of activity, and provide a description of a country's performance assessment as measured by the CPA including a description of the country's governance system.

bulk of resources going to good performing countries as measured by the Bank's CPA system. Consequently, there might be cases where adequate conditions might not exist in some countries for the effective utilization of Fund resources. Deputies called on the Fund to strengthen the linkage between CSPs and the CPA. They also called for improved coordination with other MDBs and to refine and make the CPA more transparent.

4.8 *Improved Donor Coordination and Partnerships*. Deputies welcomed the moves already taken to collaborate with other IFIs, particularly the World Bank, and urged the Fund to continue efforts to harmonize Bank policies with those of other IFIs, and in particular the World Bank, so as to improve the effectiveness of donor resources and reduce transaction costs on regional member countries. They encouraged the Fund to continue to strengthen its strategic partnerships and in-country coordination with other development partners to generate efficiency gains both for donors and borrowers.

4.9 *Enhancing Stakeholder Participation, Transparency, and Disclosure*. In all Fund interventions, Deputies stressed the importance of stakeholder participation at all stages of the project cycle. They urged the Fund to deepen such participation in the design of projects, policies, and CSPs by soliciting comments from a wide array of civil society organizations early on in the process and urged the use of the Internet, e-mail, and the Bank's website to facilitate the process. Deputies also asked the Fund to review its information disclosure policy (see para. 5.20)

4.10 *Strengthened Institutional Capacity*. Deputies welcomed the many internal reforms that have been implemented in the course of the last six years to improve the internal efficiency and effectiveness of the Bank Group. Deputies called on the Bank, in the context of its implementation of the re-organization plan, to continue to develop its skills mix and build its institutional capacity in key areas to enable it to bolster the effectiveness of its operations.

V. Operational Priorities

5.1 Within the overarching objective of reducing poverty and promoting productivity and growth in Fund-eligible countries, Deputies agreed that Fund operations should focus on the following areas.

5.2 *Agriculture and Rural Development*. As the vast majority of the poor live in rural areas and the agriculture sector often provides the engine for economic growth, Deputies agreed that agriculture and rural development should remain the most important sector for Fund operations. Deputies agreed that investing in rural social and economic infrastructure could be a powerful tool for creating jobs, and raising incomes and living standards. In line with its *Agricultural and Rural Development Policy* adopted in 2000, Deputies urged the Fund to assist RMCs in developing consistent and pragmatic action plans for rural development and agricultural modernization.

5.3 Fund interventions should adopt a selective framework for each country that might include institutional capacity building and promoting farmers' access to assets, technology, markets, and micro finance. Deputies agreed that emphasis should also be placed on improving food security. In addition, support should be provided to community-based action programs, and steps should be taken to encourage effective grassroots participation -- including support to women farmers and groups -- to enable the poor to articulate their development needs. Deputies also stressed that access to markets is a major constraint to the economic development of the rural poor and encouraged the Fund to strengthen its focus on the development of market linkages. They also encouraged the Fund to seek opportunities to partner more closely with other international donors, such as IFAD, as well as civil society organizations (CSOs) and NGOs. Deputies noted that security of land tenure remained a barrier to effective agricultural development programs in Africa and that the Fund was uniquely placed to take a lead on this difficult issue. They asked the Fund to continue its work in this important area.

5.4 *Education.* Deputies emphasized the fundamental importance of education as a means to reduce poverty and improve living standards by increasing productivity. Deputies agreed that within the framework of the 1999 *Education Policy* the Fund should concentrate its operations in the following key areas: policy reform; primary education; adult literacy and numeracy; and promotion of vocational and technical training. Within these priorities, they called on the Fund to direct more efforts towards improving the quality of education and expanding access to, and sustained participation in, education – particularly for girls -- by enhancing capacity building and financing physical infrastructure. Given the on-going debate as to the impact of user fees on school enrollment and access by the poor, Deputies called on the Fund to examine this issue closely and to come up with operational guidelines on the matter.

5.5 *Health.* Deputies urged that within the framework of the Health Policy Guidelines adopted in 1999, the Fund's interventions in the health sector should continue to focus on improving primary health care delivery, through enhancing access to essential health services, including mother and child basic health services, nutrition and basic health counseling, and the supply of essential drugs and basic equipment. Efforts should be made to develop community-based delivery mechanisms and promote user access at the community level. Deputies requested the Fund to review the impact of user fees on the access of the poor to basic health services and to develop operational guidelines on the matter.

5.6 *Communicable Diseases*. Deputies agreed that HIV/AIDS, malaria, tuberculosis and vaccine-preventable diseases, pose particular challenges to the development prospects of African countries. Recognising the leadership role of other specialised institutions in this area, Deputies called on the Fund to work closely with these institutions (viz., UN agencies, the World Bank, and the Global Fund to fight AIDS, TB and Malaria -- GATM) and complement their work. Deputies welcomed the approval of the HIV/AIDS Strategy in 2001 and urged the Fund to mainstream, as appropriate, HIV/AIDS interventions in its operations. To guide the Fund's involvement in these areas, Deputies requested that Operational Guidelines be developed in 2002.

5.7 *Private Sector Development*. Deputies underscored the importance of the Fund's continued support for private sector development as a critical component of any poverty reduction strategy and took note of the Bank's intention to revise its policies on all its private sector activities for presentation to the Board of Directors in 2002. They agreed that an important objective of the Fund should be to improve the investment climate by supporting policy reforms in macroeconomic policy and in legal and regulatory frameworks to minimize risk and uncertainty. This is particularly important for Africa's micro-enterprises that create employment for a large number of the poor and provide the seedbed for the growth of such enterprises into large-scale operations. In addition, Deputies agreed that the Fund should continue its assistance for small and medium enterprises (SMEs) by supporting regional best-practice institutions – including those that support micro-finance initiatives – as these seek to remove legal and other obstacles that prevent SMEs from realizing their full potential.

5.8 *Good Governance*. Following the adoption of the Bank Group's governance policy in 1999 and the preparation of operational guidelines, Deputies underscored the importance of the Fund building up its capacity to play a leading role in this area. In the near- to medium-term, the Fund's activities should focus on advocacy, capacity building, fiscal management, legal reform, and mainstreaming governance concerns in both the public and private sectors. In the context of program development, Deputies called for due priority to be given to promoting popular participation, especially by CSOs and local governments, and fighting corruption. Deputies also agreed that the Fund could begin to take the lead responsibility for the design and implementation of policy-based lending (PBL) operations focused on promoting good governance.[12] In this regard, Deputies called for a stepped-up effort by the Fund, in close collaboration with the World Bank and the IMF, in assisting borrowers to build capacity to manage and monitor public expenditures to improve service delivery, and to ensure full transparency and accountability for public and donor resources. Deputies called on the Fund to link its future governance PBLs to time-bound plans for establishing sound fiduciary policies and procedures.

5.9 Deputies welcomed the Fund's collaboration with UNDP and ECA in the development of performance indicators for measuring systems of governance and country governance profiles (CGPs). The latter serve as a comprehensive checklist and provide an important framework within which dialogue on governance issues would be conducted. Deputies agreed that CGPs should be building blocks for CSPs and be used to identify priority governance issues and specific interventions to improve governance structures. Deputies called on the Fund to accelerate the work on CGPs and begin to make them available to the Fund's Board and individual borrowing countries, and, subject to the constraints of the Bank's disclosure policy, to other stakeholders.

5.10 *Regional Economic Cooperation and Integration*. In the light of the 1999 revision of the Bank Group's policy on regional economic cooperation and integration, Deputies expressed support for the Fund's continued involvement in this area. In urging the Fund to focus its interventions, they proposed the development, with appropriate guidelines, of two new instruments – Regional Strategy Papers (RSPs) and Regional Institutional Strategy Papers (RISPs) – to identify possible partners and to provide a strategic framework for its regional interventions. Under these new instruments, Deputies believed the following areas should be the key priorities for the Fund: regional institutional capacity building; the development of regional infrastructure; policy-based operations aimed at the harmonization of macroeconomic policy, trade liberalisation

[12] See paragraph 7.3 on the conditions that would govern such PBL operations.

and creating the appropriate conditions for regional private sector investment; and the promotion of sustainable development at the regional level.

5.11 Deputies agreed that the Fund could begin to take responsibility on its own for the design and implementation of limited and targeted PBLs, aimed at promoting regional integration.[13] Deputies welcomed coordination of Fund activities with regional organisations such as the OAU/AU, the ECA, and regional economic communities (RECs), as well as with other multilateral and bilateral development institutions. In order to deliver this agenda effectively, Deputies underscored the need to develop staff capacity in this area and establish a focal point to help coordinate the Fund's interventions, as part of the Bank's new organisational structure.

5.12 *Gender Mainstreaming*. Gender disparities in Africa remain wide and are in some cases increasing. As a regional institution with considerable knowledge of African tradition and culture, the Fund is particularly well positioned to address this sensitive yet pervasive constraint to development. In this regard, Deputies welcomed the adoption of the new *Gender Policy* in 2001 and believed that a key objective of the Fund should be the urgent implementation of this policy. Deputies noted that the Fund's approach to gender mainstreaming is multi-pronged and includes integrating gender concerns in several other Bank policies. Deputies called on the Fund to undertake the following activities: (a) develop a Bank-wide strategic plan of action on gender and development, sectoral guidelines, checklists and monitoring indicators for progress in gender empowerment and equity in 2002; and, (b) ensure the integration of gender dimensions in Environmental and Social Impact Assessment. Deputies urged the Fund to strengthen the competence of Bank staff and borrowing country officials on gender issues, and enhance collaboration and coordination with other development partners.

5.13 *Environment and Sustainable Development*. Deputies looked forward to the revision of the environment policy and its presentation to the Fund's Board in 2002. Under ADF-IX, they urged the Fund to integrate environmental concerns into its country programming and lending operations. Deputies asked that the new policy promote the sustainability of natural resource-based livelihoods of the rural poor, by mainstreaming the linkages between environmental health and poverty reduction throughout the Bank's lending to various sectors. In this regard, the Fund should help build country capacity to manage environmental resources and consult with stakeholders (involving both positively and negatively affected stakeholders), in the process of designing projects. In addition, improvements in public consultation and in consideration and analysis of alternatives should be made in assessing the environmental impact of Fund projects. Deputies asked that the Fund open a draft of its new Policy to a full public consultation process, including African CSOs.

5.14 Deputies urged the Fund to give greater focus on environmental concerns at the regional level with a particular focus on desertification, natural disasters, deforestation, and the increasing threat to bio-diversity. As the Fund could not assume a leadership role in this area, Deputies asked the Fund to strengthen its collaboration with other specialised multilateral and bilateral agencies, particularly in the light of the outcomes of the World Summit for Sustainable Development. In this regard, Deputies welcomed

[13] See paragraph 7.3 on the conditions that would govern such PBL operations.

the separate Memorandum of Understanding between the Bank and the World Bank governing relations on Global Environmental Facility (GEF) matters. Deputies urged the Fund to be selective in co-financing GEF projects. In addition, Deputies urged the Bank to enhance its internal capacity to address environmental issues through training, decision tools, and establishment of systems for measuring environmental indicators in borrower countries.

5.15 *Post-Conflict Assistance*. Deputies recognised that there should be a limited role for the Fund in post-conflict countries focused on medium- to long-term development assistance, and working in close collaboration with the Bretton Wood Institutions (BWIs), the UN agencies, and bilateral organizations. The Fund's post-conflict interventions should be based on a clear definition of post-conflict countries, specification of eligibility criteria, and demarcation of time limits for providing assistance. They agreed that Fund engagement could involve assistance in the immediate period following the cessation of hostilities focusing on technical assistance and capacity building to re-start the economy and re-establish a framework for governance and expenditure management. To guide its operations at different stages of the post-conflict period, the Fund should develop specific instruments, such as Monitoring Briefs (based where possible on the work of other multilateral institutions such as the World Bank), Country Dialogue Papers (CDPs), and Interim Country Strategy Papers (ICSPs). Deputies underscored the importance of maintaining a focus on country performance, including transparency in government spending.

5.16 Deputies agreed that the Fund should consider introducing, along the lines of IDA, an indicative performance-based resource allocation system designed for post-conflict countries to inform and guide the Fund. They also urged the Fund to build its own internal capacity to provide post-conflict assistance by providing staff with specialised training and establishing a focal point within the Bank. They called for operational guidelines covering the modalities of Fund interventions in post-conflict areas to be presented to the Board in 2002.

5.17 *Arrears Clearance.* Deputies noted that CDPs are an important instrument in maintaining a relationship with the Fund's regional member countries that are in arrears. Deputies urged the Fund to use this instrument more effectively in developing and articulating credible arrears clearance strategies, tailored to the particular circumstances of those countries.

5.18 On the Democratic Republic of Congo (DRC), Deputies welcomed the initiative taken by the Bank, the IMF and the World Bank to propose options for the clearance of arrears to the IFIs, so that operations can be resumed. It was noted that, for these purposes, DRC should be treated as an exceptional case and that a coordinated clearance of the DRC arrears by all three institutions is critical for the Bank's financial standing. Deputies stressed that IFI re-engagement should move hand in hand with progress on the peace process.

Stakeholder Participation and Partnership

5.19 *Deepening Stakeholder Participation.* Deputies welcomed the progress that has been made in promoting stakeholder participation in the activities of the Fund in support of country-owned poverty reduction strategies. However, they directed that further efforts be made to increase the Fund's responsiveness to its clients by continuing to implement a broad-based participatory approach in the formulation and implementation of its lending and non-lending instruments. Deputies urged that consultations with stakeholders use different techniques and approaches, as appropriate, including greater use of web-based technology. They also urged the Fund to make data available to the public on the poverty situation in individual regional member countries to remove one of the most important constraints to effective stakeholder participation in national discussions and debates. Deputies welcomed the opening of country offices and encouraged the Bank Group to open additional ones in the future to enhance dialogue and participation.

5.20 *Information Disclosure.* Deputies asked for the Fund's Information Disclosure Policy be reviewed and updated so as to ensure that the Fund continues to place itself at the forefront of IFI transparency. The objective of the review should be to enhance broader stakeholder participation and to provide for the disclosure of Bank documents, consistent with the legal provisions of the Bank and the best practice of other IFIs. In this regard, consideration should be given to providing, on the Bank Group's website as soon as possible, more project information -- including information on PBLs in the pipeline -- early in the design stage and throughout the life of the project. The Fund should also consider releasing draft CSPs and policy papers via the Internet and its website at least three weeks prior to the formal Board discussion. Deputies also urged the Fund to make public all evaluation reports after consultation with the Board.

5.21 *Cooperation and Partnership.* Deputies welcomed the cooperation and partnership that the Bank Group has established, and in particular the MOU that it has signed with the World Bank and look forward to the results of the independent evaluation of its implementation. They urged the Fund to continue its strategy of cultivating such partnerships, building on current relationships and re-orienting joint activities to better focus on poverty reduction activities. They looked forward to further and revised Memoranda being signed with other multilateral institutions present in Africa, such as the UNDP and IFAD, and called on the Bank Group to report to the Board of Directors annually on the implementation of these MOUs. Deputies urged the Fund to collaborate with the World Bank in economic and sector work and on developing models to measure the impact of the Fund's operations on reducing poverty in Africa. They also urged the Fund to increase the number of co-financed operations with other development agencies and international organizations such as the EU, and improve its policy coordination with bilateral and multilateral agencies.

5.22 *Sector-Wide Approaches (SWAPs).* Deputies recognize the growing importance of Sector-Wide Approaches (SWAPs) as medium term collaborative work programs concerned with policies, investment strategies, and expenditure plans for a particular sector. SWAPS importantly enhance donor coordination and deliver effective support to country-owned poverty reduction strategies. Deputies welcomed the Fund's increasing participation in such frameworks. In this regard, they underlined the need to build staff capacity in economic and sector work (ESW), and for closer collaboration with borrowing countries and other development partners relying, where appropriate, on the work of other donors. Deputies asked for operational guidelines on the Bank's participation in SWAPs to be presented to the Board in 2002.

VI. Country Eligibility, Resource Allocation System, and Terms of ADF Financing

Country Eligibility

6.1 Deputies agreed that the poorest countries should continue to be the major beneficiaries of ADF resources, while underscoring country creditworthiness, performance, and per capita GNP as the fundamental criteria of eligibility to receive Fund resources. Country creditworthiness will continue to be based on criteria being used by the World Bank until such time as the Fund develops its own policy assessment. Accordingly, Deputies directed that assessments of country creditworthiness should be used to group regional member countries as follows (see Annex V):

- Category A (Fund–only): Countries deemed not creditworthy for non–concessional financing by the World Bank (i.e., IDA–only countries);

- Category B (Blend): Countries deemed creditworthy for blend financing by the World Bank; and,

- Category C (Bank–only): Countries deemed creditworthy for non–concessional financing by the World Bank.

6.2 Deputies agreed that Category A countries will borrow only from the Fund and will, therefore, not be eligible to borrow non–concessional resources from the Bank Group. Countries in Category B will be blend countries and eligible to borrow concessional and non-concessional resources. Category C countries will not benefit from ADF–IX resources. Deputies took note of two exceptions to this country categorisation for Category A countries: (a) access to the private sector window of the Bank, and (b) access to non-concessional resources for enclave projects, provided these meet the conditions set out under the Bank's agreed policy and do not contravene any of the conditionalities that form part of a programme funded by BWIs. [14]

The Country Performance-Based Resource Allocation System

6.3 Deputies stressed that concessional resources must be used effectively to make a lasting impact on poverty in Africa, in conformity with the priorities highlighted in this and other Reports of Deputies. Deputies underscored the importance of giving priority in the allocation of resources to poor countries that have demonstrated their commitment to implementing policy reforms that reduce poverty, improve governance, strengthen institutional capacity, and increase productivity.

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[14] Enclave projects provide a mechanism through which ADB funds can be used in the financing of self-sustaining projects in Category A countries. Access to such financing depends on the project fulfilling specific economic, financial, managerial and legal conditions such as being supported by an appropriate guarantee, and promising to produce substantial net foreign exchange to cover its debt obligations. It is expected that such projects will not only have a positive impact on the economy but also attract foreign investors.

6.4 Deputies agreed that the allocation of Fund resources, consisting of loans and grants, would continue to be based on the Country Performance Assessment (CPA). Within this, country allocations for projects and technical assistance operations will be based on the annual CPA. Allocations for PBLs, which would normally be undertaken in conjunction with the BWIs to support policy reforms, will not exceed 50 percent of a country's allocation for project operations, unless the Board of Directors approves exceptions.

6.5 Deputies urged further refinement of the CPA by:

- adopting more robust indicators of poverty reduction policies, strategies, and actions;
- making increased differentiation between good and poor performers in per capita allocation of ADF resources and ensuring consistency in quintile ranking;
- considering different approaches to give greater weighting to governance in a country's overall rating;
- developing, in conjunction with other partner institutions, appropriate performance benchmarks for assessing the special circumstances present in post-conflict countries; and
- addressing the needs of small countries.

6.6 Deputies emphasized that CPA criteria for countries should be clearly linked to implementation of reforms rather than the commitment to reform embodied in country-owned poverty reduction strategies. In addition, Deputies called on the Fund to work in close collaboration with the World Bank in refining the CPA system and asked that the revised guidelines for the CPA and new guidelines for performance-based allocations to post-conflict countries to be submitted to the Board of Directors in 2002.

6.7 Deputies stressed the importance of transparency and disclosure of the outcomes of the CPA exercise as a means to exert peer pressure among borrowing member countries to enhance performance and promote good governance. This would support the Bank Group's efforts to encourage intellectual exchange and knowledge sharing among regional member countries on governance matters. They therefore urged the Fund to align its practice with that of IDA, particularly in providing the quintile rankings for the CPA and descriptions of governance ratings to the Boards of Directors, borrowing countries, and other stakeholders via the website.

Terms of ADF Financing

6.8 Deputies agreed to increase further the concessionality of ADF resources in the light of the economic difficulties faced by most Fund countries. They accordingly agreed that during the ADF-IX period, the overall level of ADF grants would be in the range of 18-21 percent of total available ADF-IX resources. Deputies emphasized the importance of taking into account countries' performance in determining the allocation of ADF resources to countries, including grants.

6.9 Deputies agreed on the following levels of grants for Fund-eligible countries (see Table 1 below):

- In Fund-only countries with an annual average per capita income of less than or equal to a GNI of $360, up to 27 percent of ADF allocation for countries in this category would be delivered in the form of grants.
- In Fund-only countries with an annual average per capita income of more than a GNI of $360, up to 7.5 percent of ADF allocations for countries in this category would be delivered in the form of grants.
- In blend countries, up to 7.5 percent of ADF allocations for countries in this category would be delivered in the form of grants.

Table 1. Level of Grants by Country Classification and Grant Share of Overall ADF-IX Financing

Grants Category	**Level of Grants by Category (%)**	**Grant Share of Overall ADF-IX Financing (%)**
ADF-only countries below per capita income of $360	22.8 -- 27.0	16.1 – 19.1
ADF-only countries above per capita income of $360	7.5	1.1
ADF blend countries	7.5	0.7
Total		**18-21**

6.10 Deputies agreed that PRSs should be the guiding framework for the use of grants, recognizing the importance of funding HIV/AIDS interventions, post-conflict reconstruction, investments in education, health, and the provision of water and sanitation, and natural disaster reconstruction. In addition, technical assistance and capacity building initiatives, particularly for agriculture and environmental protection, would continue to be funded by grant resources. Deputies requested the Fund to submit to the Board in 2002 operational guidelines on the use of grant resources.

6.11 Deputies also requested that the ADF-IX grants program be assessed over the course of the replenishment period.

Financing the Provision of Grants

6.12 Deputies stressed that the impact of grants on ADF finances should be explicitly treated in ADF's framework and that the costs should be specifically compensated by additional donor contributions in order to maintain the Fund's integrity into the future. They emphasized that providing resources in advance of the sharp rise in ADF-IX grant costs in future decades would help to assure ADF's continued capacity to provide assistance to Africa's poorest countries. Deputies recommend, as an initial step, that

UA15 million in resources be provided for the period of the ADF-IX replenishment from internally generated resources and that further resources be made available from additional voluntary contributions. They also agreed that at the ADF-IX Mid Term Review they would discuss financing options and decide at that time on an equitable mechanism to provide for grant financing requirements.

Allocation of Fund Resources by End Use

6.13 Deputies agreed that of the total amount of available ADF-IX resources (including internally generated resources, transfer from ADB net income and other additional resources), allocations should be made as follows:

- UA 25.5 million as the remaining balance of the Fund's costs of participating in the HIPC initiative;

- UA 36.5 million as the Fund's contribution to the arrears clearance of the Democratic Republic of Congo in the context of an internationally agreed plan involving bilateral donors, the IMF and the World Bank;

- UA 15 million to finance the costs of grants in the current replenishment;

- Up to UA 0.5 million for the independent evaluation of the Fund's undertakings under the VII, VIII, and IX replenishments;

- Up to 10 percent for regional economic integration and co-operation interventions; and

- Two (2) per cent as a contingency to cover the Fund's exchange rate risks.

Of the remaining balance of resources, allocations will be made on the following basis:

- 77.5 per cent for specific project investments and technical assistance operations. The vast majority of these resources should be allocated to Category A countries, with up to 5 percent to Category B Countries; and

- a maximum of 22.5 per cent for policy-based operations.

VII. Financial Instruments and Analytical Tools

7.1 Deputies directed that the Fund's financial instruments and analytical tools be used in a manner that both responds to the emerging development needs of borrowing countries and reduces their transaction costs. They agreed to the use of the following financial instruments and analytical tools under ADF-IX.

7.2 *Analytical Tools:*

- The Fund should continue to use the full range of strategy papers at its disposal – *CSPs, RSPs, RISPs, Monitoring Briefs, CDPs and ICSPs* – in which to set out its medium-term assistance strategy to countries, regions and institutions and provide the justification for the allocation of scarce ADF resources. Where possible, the Fund's strategy papers should be informed by country-owned poverty reduction strategies (PRSs) and regional strategies as the starting point for defining its interventions. The Fund should incorporate the analysis, results and recommendations of such strategies, and, where appropriate, the technical analysis and fiduciary assessments of other development partners, into the design of its own strategy papers. Deputies asked the Fund to present to the Board proposed project and policy-based loans and grants in a consolidated manner in CSPs.

7.3 *Financial Instruments*

- *Project Loans and Grants*: These comprise project loans and grants – including multinational projects – sector investments, and lines of credit. Deputies noted that the Fund's investment projects are likely to remain the mainstay of the Fund's financial assistance under ADF-IX (see para. 5.22 on the role of SWAPs).

- *Policy-Based Operations.* These can consist of loans and grants for structural adjustment and sector adjustment operations. Deputies agreed that the Fund should continue to use policy-based operations to promote reforms and to create a conducive macroeconomic and sector policy environment. They emphasised that policy-based operations should be used in a selective manner and focused on countries which are good performers under the Fund's CPA, with CSPs providing the justification for all PBL allocations. Deputies agreed that the Fund could start taking responsibility for the design of limited and targeted policy-based operations in governance and regional integration, in countries where the macroeconomic situation is judged acceptable by the IMF and where sufficiently transparent financial and budgetary procedures exist. However, such interventions should be subject to the adoption of clear operational guidelines by the Boards of Directors on the nature, size and scope of such operations and the development of staff capacity in economic and sector work. Deputies also agreed that as borrowing countries start to have in place sound policies and establish effective, transparent, and adequate fiduciary and budgetary practices, the Fund could consider providing budgetary support on agreed development objectives.

VIII. Measuring Results and Enhancing Development Effectiveness under ADF-IX

8.1 Deputies underscored the importance of enhancing the development effectiveness of the Fund on the ground. While recognizing that the Fund is taking steps to improve the quality of its operations, they asked it to do a better job of demonstrating its development effectiveness by contributing to the reduction of poverty in Africa and by demonstrating its contribution through measurable indicators.

8.2 Deputies affirmed the critical need for all project and program documents to set clear and measurable indicators of expected performance outcomes. Such indicators should be used for monitoring and evaluating the Fund's operations in each sector, both at the country and global levels. At the country level, the Fund should provide assistance to governments to enable them to include key economic growth and poverty reduction objectives and targets in their PRSPs. At the global level, the Fund should report on progress being made toward the Millennium Development Goals in close cooperation with other development partners. In this regard, the Fund should work closely with the World Bank on developing models aimed at measuring the Fund's impact on poverty reduction.

8.3 Deputies agreed that important to these efforts is the need for the Fund to establish a results-based management system for tracking performance indicators, measuring results, and identifying best practices. In this regard they noted the importance of economic and sector work for strengthening the empirical basis for effective monitoring, and also the importance of an internal review and feedback process in order to incorporate lessons learned and to better publicize successes.

8.4 Deputies agreed that, at the country level, the Fund should provide assistance to governments to help them prepare their PRSPs and to develop their own evaluation capacities within the PRSP framework. Deputies urged the Fund to continue its cooperation with other development partners on the harmonization of monitoring and evaluation approaches and requirements.

8.5 Deputies agreed that the Fund should continue to closely monitor consistency between program and project designs on the one hand and associated sectoral policies on the other in order to secure good quality-at-entry. The Fund's Operations Evaluation Department should evaluate the extent to which the Fund's measured development results and assessments of policy consistency actually get fed back into the design of new projects. The Board's Committee on Development Effectiveness (CODE) should focus its work programs over the next few years on reviewing the Bank's experience with monitorable program indicators and improved Bank development effectiveness.

8.6 Deputies urged the Fund to continue to build upon the measures already taken to improve its development effectiveness by introducing the following measures:

- establish a strong policy compliance unit under the reorganisation plan;

- reduce the delay in implementation of projects by ensuring the timely fulfillment of loan conditions;

- further strengthen project supervision and introduce mandatory mid-term reviews so as to allow for improvement and feedback during project implementation;

- continue to finance local and recurrent costs, but on a decreasing scale and phasing them out before project completion; this approach will help to deliver sustainability by ensuring that the borrower has the ability to bear the full recurrent costs;

- promote a more efficient use of project resources through stringent enforcement of fiduciary (procurement, financial management, and audit) and legal controls and reporting requirements in order to minimize the risk of failure and improper use of resources; and

- use the results from the Annual Portfolio Performance Review (APPR) as a tool to identify best practices and lessons learned and to apply remedial measures to problematic projects.

8.7 In agreeing that the Fund should focus on delivering results on the ground, Deputies asked for all the measures taken since 1995 and the new initiatives suggested above to be consolidated into a single action plan to be presented to the Board in 2002. Deputies requested that the Annual Report of Development Effectiveness that will be issued by the Bank beginning in 2003 provide information and analysis on the progress made in the implementation of the action plan. They also asked that the Report should examine how ADF interventions are helping progress towards the agreed international development targets and assisting countries attain their poverty reduction goals, as outlined in their poverty reduction strategies.

8.8 Deputies asked the Fund to produce an independent evaluation of the Fund's performance in implementing the undertakings agreed under ADF-VII, VIII and IX. The evaluation should include *inter alia*: a review of the degree of the alignment of CSPs to the Bank Group's Vision and the priorities of countries and the policy objectives set by Deputies; the impact of new policies on the selection and design of projects and the setting of operational priorities; and the degree of internal capacity building by the Fund in response to the new priorities. To the extent possible, and where adequate data exist, the evaluation should also provide indications of the impact of Fund interventions during this period, including an assessment of how the Fund's projects/programs met their own objectives. The evaluation should be made available before the start of the next replenishment negotiation with a progress report prepared for the ADF-IX Mid-term Review. The Fund would allocate resources for the exercise.

IX. Organizational, Management and Staffing Issues

9.1 Deputies welcomed the approval of the new organizational structure by the Board of Directors in 2001 and the plans drawn up to implement it (see Annex IV for more details). Deputies urged speedy implementation of the recommendations to ensure that the new structure is fully in place by the end of 2002, and looked forward to the presentation of the Bank's first Strategic Plan in the first half of 2002. Deputies called for the finalization and implementation of a plan to have in place an Inspection Panel within six months of the effectiveness of ADF-IX and plans to strengthen the anti-fraud and corruption investigative mechanism within the context of the forthcoming organization of the Bank. They agreed that the Inspection Panel should be allowed independence to be able to make a determination for a full inspection of particular projects. To this end, the Inspection Panel will be placed under the sole authority of the Board.

9.2 In order to adequately staff the Bank's new structure, Deputies underscored the need to address the shortfall in staff skills and competencies through a mixture of training of existing staff and recruitment of new specialists. They welcomed the ongoing assessment of the Bank Group's skills/competencies mix by an outside consultant. Deputies noted in particular a need for the Bank to build capacity in economic and sector analysis, in project and program evaluation and the operational areas of governance, regional integration, gender and environment. Deputies underscored the need to create conditions that continue to attract staff with the requisite technical competence.

9.3 Deputies welcomed the plan by the Bank Group to establish 25 regional and country offices, subject to the availability of resources and a review of the experience to date to assess their contributions to enhancing operational efficiency and development effectiveness. They noted the measures taken so far to strengthen the Bank Group's operational presence and visibility with the opening of Regional and Country Offices in Egypt, Ethiopia, Gabon, and Nigeria and with plans to open another office in South Africa. Deputies asked that the impending review of the first phase of offices be comprehensive and that the Fund reconsider the roles and functions of field offices in the light of the Bank's new structure and processes. In Fund-only countries, Deputies suggested that priority should be given to opening of field offices where the Bank's presence is significant in terms of overall ODA resource flows to those countries.

X. Membership of the Fund

10.1 *New Non-regional Members of the Bank Group*. Deputies expressed the view that the current subscription fees for prospective new non-regional members were too high and unrelated to economic capacity. They welcomed the proposal to link the minimum subscription amount for a new member of the Bank or State participant in the Fund to their relative IMF Quotas. Deputies urged Management to commence discussions with countries that had previously expressed an interest in joining the Bank Group as well as others, upon the adoption of the proposal.

10.2 *Voting Rights for Regional State Participants*. Deputies noted with satisfaction that the Board of Governors have approved an interim solution to accord regional State participants voting rights in the decision-making organs of the Fund. They also welcomed the comprehensive review of the governance structure of the Fund that has been conducted by an independent consultant and which is under consideration by the Fund's Board of Directors. Deputies underscored the importance of reviewing all options that have been raised, taking into account both the existing ADF structure and the institutional arrangements of the concessional windows in the other multilateral development banks.

XI. Management of ADF Resources

11.1 Deputies noted that a number of financial reforms have been undertaken since ADF-VIII, to optimise the volume of resources available to fund its development interventions. These reforms have included: the introduction of a commitment fee of 0.50 percent; the tightening of loan cancellation and sanctions policies; the introduction of a contingency reserve to cover the Fund's exchange rate risks equivalent to 6 percent of Net Development Resources (NDR) so as to reduce the risk of over-commitment; the introduction of a replenishment specific encashment schedule system which can be adapted to the specific circumstances of donors; and, the ongoing refinement of ADF Asset-Liability Management practices to align, to the extent possible, the composition of NDR to that of the Unit of Account (UA).

11.2 In the light of these reforms, the Fund's financial position has consistently improved in recent years, generating surpluses of UA 0.22 million in 1998, UA 7.40 million in 1999 and UA 16.97 million in 2000. In order to be able to continue to deliver these gains, Deputies asked the Fund to remain vigilant in pursuing and implementing policies that maximise the availability of NDR and search for ways to further limit its exposure to exchange rate risks.

XII. Target Replenishment Level and Other Resources for the ADF-IX Period

12.1 On conclusion of the consultations, Deputies agreed on a target Replenishment level of UA 2.37 billion for the period 2002-04.[15] The detailed provisions recording the agreement of Deputies and the terms of the Replenishment are set out in Annex I and in the Draft resolution to be submitted to the Board of Governors. .

12.2 Deputies would welcome additional contributions from Participants and Members having the economic capacity to do so in order to further enhance the operations of the Fund during the ADF-IX period.

12.3 Deputies noted the difficulties that arise as a result of donors not making payment of their subscriptions in a timely manner, thereby jeopardising the supply of concessional resources. They stressed their commitment to the principles of multilateralism and joint burden sharing, and requested that Management report regularly to the Fund's Board on the status of each donor's commitment, actual contribution, and ensuing voting power in ADF. They requested that such information be included in the ADF Annual Report and other publications as applicable.

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[15] In addition, internally generated resources are expected to amount to UA 344.5 million during the ADF-IX period.

XIII. Mid-Term Review

13.1 Deputies agreed that there should be a review of Fund operations, adopting the same format as the replenishment consultations, during the second year of ADF-IX operations. While the timing of this review will depend on when ADF–IX becomes effective, it will not be later than 18 months after the effectiveness of the replenishment, and before release of the last tranche.

13.2 The review should discuss the progress made in implementing the decisions set out in this Report, and in particular the progress made in the following areas:

(i) Enhancing the development effectiveness of Fund operations;

(ii) Implementation of the operational priorities set out in this Report; and

(iii) Independent evaluation of the Fund's performance in implementing the undertakings agreed under ADF-VII, VIII and IX.

13.3 The progress made shall be considered against the PIM to be developed and presented to the Fund's Board after the conclusion of the Consultations.

XIV. Selection of the Coordinator for ADF Consultations

14.1 Deputies agreed that they would decide on a chairperson for the mid-term review of ADF-IX and the ADF-X Replenishment negotiations at least three months prior to the mid-term review.

XV. Approval

15.1 The contents of this report were approved by Deputies of State Participants at Oslo, Norway on 24th September 2002.

ANNEX I

SUBSCRIPTION AND OTHER RESOURCES FOR THE ADF-IX PERIOD

After consideration of the issues for which provisions have been made in the Resolution, Deputies established the following terms and conditions for subscriptions in respect of the Ninth Replenishment:

(i) The Replenishment will come into effect when the Fund has received the Instruments of Subscription representing an aggregate amount equivalent to at least 30 per cent of the Subscriptions. It is expected that this level of subscription will be attained by 31 December 2002 or such later date as determined by the Board of Directors (the "Effective Date);

(ii) In order to enable the Fund to meet Operational Commitments before the entry into effect of the Ninth Replenishment, the Fund is authorized, when the level of subscriptions received aggregates 20 per cent of total pledges, to use for Operational commitment an amount equivalent to the first commitment tranche of each Instrument of Subscription received before the Effective Date, unless the subscribing State Participant specifies otherwise when depositing its Instrument of Subscription. This Advance Subscription Scheme will be implemented without prejudice to the Advance Facility Scheme under which any State Participant may authorize the use of any portion of its subscription for commitment purposes before the entry into effect of the Ninth Replenishment;

(iii) Subscriptions may, in exceptional cases, be qualified and State Participants intending to do so will notify the Fund to that effect. Such qualified subscriptions shall be subject to the conditions specified in the Resolution;

(iv) Subscription pledges listed in the Annex to the Resolution on the Ninth Replenishment have been determined in Units of Account (UA) and have been converted into Units of Obligation of the individual participants on the basis of daily exchange rates, averaged monthly, expressed in terms of Currency Units per SDR as given by the IMF for the six-month period commencing 1 June 2001 and ending on and including 30 November 2001. Subscriptions shall be denominated in SDR of the IMF, a currency used for the valuation of the SDR or the currency of the individual State Participant, except that if the economy of a State Participant experienced a rate of inflation in excess of 10 per cent per annum in the period 1998-2000, as determined by the Fund, the State Participant's Subscription will be denominated in SDRs or, at the option of the State Participant, in a currency used for the valuation of the SDR;

(v) Subscriptions will, to the extent of payment, carry voting power in the manner specified in the Resolution on the Ninth Replenishment. However, if the Ninth Replenishment has not entered into effect by 31st December 2002, advance subscriptions will carry voting power to the extent of payment;

(vi) Terms of payment have been determined such that the Fund will have the resources it needs to operate satisfactorily and to reflect the multilateral character of the Ninth Replenishment. Payment in respect of each subscription will be made in three installments, of which the first installment will be made on or before 31 January 2003 or 30 days after the Effective Date, whichever is earlier, with the second and third installments falling due respectively on or before 30 June 2003 and 30 April 2004;

(vii) As an exceptional case when a State Participant cannot, due to its legislative procedures, make payment in respect of the first installment by the stated date, payment in respect of that installment should be made within 30 days of the deposit of its Instruments of Subscription. Subsequent payments in respect of qualified subscriptions shall be made within 30 days as and to the extent that the relevant installment becomes unqualified and subject to the annual payment dates specified for unqualified subscriptions. A State Participant who has deposited a Qualified Instrument of Subscription shall inform the Fund of the status of its subscription (i.e., whether legislative approval has been received or not) not later than 30 days after the annual payment dates specified for unqualified subscriptions;

(viii) At the time of depositing its Instrument of Subscription, each State Participant shall indicate to the Fund its proposed program of installment payments.

(ix) Encashment of notes shall be in accordance with the replenishment specific (fixed schedule) encashment system, adopted by the Board of Directors in March 2000. The encashment schedule shall cover a period of 10 years from 2004 to 2013. A standard encashment schedule shall be prepared for each State Participant in his currency of obligation, using the profile indicated in Annex II. Should a State Participant wish to adopt an encashment schedule other than the standard, the Fund shall agree with the State Participant on a revised encashment schedule for its unqualified subscription that yields at least an equivalent value to the Fund in present value terms;

(x) The size of each commitment tranche will be equal to one-third of the amount of total subscriptions;

(xi) The rules governing the commitment of each of the three tranches have been formulated in such a way that the first tranche will be committed from the Effective Date (or before that date, if it is an Advance Subscription); the second tranche from 31 May 2003, or the Effective Date, whichever is later; and the third tranche from 31 March 2004 or the Effective Date whichever is later; and

(xii) Tranches will be automatically available for Operational Commitment unless a State Participant within 30 days of receiving information from the Fund, notifies the Fund that commitment of its second, or as the case may be, its third tranche, should be reduced to the extent to which any qualified subscription of a defined size has not been made available for commitment. The right of the State Participant shall be deemed waived if the Fund does not receive notice within the thirty-day period.

Annex II

ADF-IX STANDARD ENCASHMENT SCHEDULE*	
Year	**Encashment Percentage**
2004	6.094
2005	10.742
2006	13.690
2007	14.615
2008	14.527
2009	12.901
2010	10.202
2011	7.903
2012	6.763
2013	2.563
Total	**100.00**

*Each year's encashment will be effected in four (4) equal quarterly installments, on the days that will be communicated each year by the Fund.

ANNEX III

WORKING PAPERS PROVIDED FOR THE CONSULTATIONS ON THE NINTH GENERAL REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND

First Meeting: **May 31-June 1 2001 (Valencia)**

- Progress Report on ADF-VIII
- Progress Report on Implementation of the Bank Policy on Good Governance
- Progress Report on Arrears
- Fund Experience in Mainstreaming Stakeholder Participation
- ADF Experience in CPA and Performance-based Allocation
- Progress Report on the Implementation of Bank Group Policy on Economic Cooperation and Regional Integration
- ADF's Role in Communicable Diseases
- Financial Management of ADF Resources
- A Proposal for a Strategic Framework for ADF–IX

Second Meeting: **September 5-7, 2001 (Yamoussoukro)**

- A Proposal for Enhanced ADF Assistance to Post-conflict Countries
- A Proposal to Increase Grant Resources Under ADF-IX
- A Review of ADF Lending and Non-Lending Instruments
- Preliminary Estimates of Resource Requirements for the ADF-IX Cycle
- A Review of the Bank Group's Net Transfers to Regional Member Countries
- The Bank Group's Participation in HIPC: An Update as of 30 August 2001

Third Meeting: **November 6-8, 2001 (Maputo)**

- A Proposal for the Replenishment of Fund Resources under the ADF-IX Cycle
- Draft Report on the Consultative Meetings on the Ninth General Replenishment of the Resources of the African Development Fund

Fourth Meeting: **December 11-12, 2001 (Stockholm)**

- Draft Report on the Consultative Meetings on the Ninth General Replenishment of the Resources of the African Development Fund (revised)
- A Note on ADF Burden Sharing
- An Update on the Internal Resources of the Bank
- An Update on the Use of Technical Assistance Funds (TAF)
- A Note on the ADF Encashment System
- Draft Resolution on ADF-IX

<u>Fifth Meeting:</u> **23-24 April 2002 (Paris)**

- Legal Note on the Proposed Interim Solutions for the Ninth Replenishment of the African Development Fund
- Note on the Discount Rate for NPV Calculations Relating to the Ninth General Replenishment of the African Development Fund
- Draft Report on the Consultative Meetings on the Ninth General Replenishment of the Resources of the African Development Fund (revised)

<u>Sixth Meeting</u>: **23-24 September 2002 (Oslo)**

- A Proposal for Grants Under ADF-IX: An Adaptation of the IDA-13 Grants Framework to ADF-IX and Addendum
- Financing the Long Term Costs of Increasing ADF-IX Grant Funding under the Ninth General Replenishment of Resources for the African Development Fund
- Public Private Partnerships (PPP): An Information Note
- Draft Resolution on ADF-IX

ANNEX IV

PROPOSALS TO REGENERATE THE AFRICAN DEVELOPMENT BANK

The Board of Directors ("the Board"), pursuant to Article 4 of the Agreement Establishing the African Development Bank ("the Bank"), approved changes to the general structure for the services of the Bank at its formal Meeting of 13 June 2001.

This decision came at the end of an elaborate and a constructive process that was initiated by the Board, on 12 January 2000, when it approved the terms of reference for a consultant study. The consultant, assisted by a high level steering committee and in dialogue with the Board, tabled a final report in January 2001: "Regenerating the African Development Bank". Through informal discussions and a seminar, the Board gave clear guidance to Management for the preparation of a final set of recommendations.

The new structure is intended to equip the Bank to move from the phase of consolidation to a phase of regeneration. Overall the changes approved by the Board are designed to meet three critical objectives. First, to define and implement a sound corporate strategy, incorporating a clear set of priorities, to give clear and coherent direction to its future work program. Secondly, to enhance the capabilities needed to develop distinctive competences in areas of development assistance where the Bank can start to carve out a leadership role. And thirdly, to improve delivery of the Bank's lending and capacity building operations.

To meet these objectives, the Board decided that the Bank should accelerate the process of institutional reform by making five key changes: (i) Strengthen the Top Management Structure of the Bank; (ii) Create a strategically oriented planning function; (iii) Upgrade the management of staff resources; (iv) Establish a base of intellectual leadership in development thinking; and (v) realign the organization of operations to client needs. The first two of these decisions are designed to help sharpen the strategic focus of the Bank, the next two to enhancing its capabilities and the fifth to helping improve quality, efficiency and development effectiveness of its operations.

In giving its approval for the new structure, the Board directed Management to prepare an "Implementation Blueprint" that would define the various stages of the reorganization exercise and to clarify the need for additional studies. The Board also asked for regular reports on the progress of the exercise and created a Committee of the Whole on the Monitoring of the Implementation of the Organization Study ("Committee of the Whole").

The additional studies will address a number of specific issues: creation of an institutional focal point for regional economic integration activities; creation of an inspection mechanism; establishment of an anticorruption and investigation mechanism; development of a strategy, policies and structure for the Private Sector Development Department; future operations and location for ADF Micro-Finance Initiative for Africa (AMINA); and establishment of a certified Software Application Products Competency Center.

The Board also raised a number of issues to be addressed during the implementation process: a clarification of roles and responsibilities of the various actors and organizational units; and greater detail on the coordination mechanism and interfaces between the different components of the new structure.

In response to these concerns, Management prepared a Blueprint that was presented to the Board on 4 October 20001. This Blueprint provided an implementation plan to achieve the effective implementation of the new structure, foster significant institutional culture change, and ensure an optimal deployment of staff in the new organization. The Blueprint is based on certain guiding principles and on three complementary exercises that will drive the implementation process.

The guiding principles are transparency in decision-making, respect of Bank Rules, effective staff participation, sustained internal communication, and minimum disruptions to the Bank's work program. The three convergent exercises are the first strategic planning cycle; a "mission exercise"; and a skills profile and competencies inventory study. All these key activities that form an integral part to the implementation process of the new organization have been launched in the third quarter of 2001 and are actively underway.

The first strategic planning exercise is key to defining the roles and responsibilities of the new Complex for Policy, Planning and Research and to develop and implement all of the new processes, procedures, interfaces and coordination mechanism Bank wide. Strategic planning will drive the "intellectual content" that will provide all of the new ideas and approaches to operationalize the Vision.

The mission exercise will be the vehicle to ensure staff participation in the strategic planning exercise. It will also be an important tool for encouraging reflection on personal needs, goals and values. As such, it will drive the "cultural change" that will generate the required level of energy, commitment and dedication to ensure a successful implementation. The skills profile and competencies inventory study will be the framework for fine-tuning and strengthening the nomination of staff to new positions, mainly through competition, the Bank's internal mobility program or external recruitment and staff exchange program as appropriate.

The Board approved the proposals for the Blueprint and for the entry into force of the new Organization Structure effective on 1st January 2002. However, taking into account the timetable for the implementation of the three complementary and mutually reinforcing exercises that will drive the implementation process, it is expected that by mid 2002, the new organization structure will be fully in place and documented. The Bank will have by then an approved strategic plan and a complete staff skills profile and competencies inventory. As a result, competency gaps will be easily identified to enable further staff assignments fine-tunings and the launching of a recruitment campaign to find missing skills, including staff exchange program. The final resource allocation will be decided by the Board in the context of the year 2003 budget exercise.

The main challenges in implementing the new organization, however, are in the area of finding all of the talent that will be required to provide the new skills sets and upgrade the quality of human resources. It will be important that the appropriate conditions are created so as to recruit such talent.

The timetable for the implementation of the Blueprint will ensure that all of the elements making up the organization, namely people, structure, strategies and processes, are taken into account in an exercise that is fully transparent, participatory and consistent with all Bank rules. The plan will foster broad staff participation and it will sequence and synchronize all implementation activities so as to minimize disruption to on going Bank operations.

ANNEX V

CURRENT CLASSIFICATION OF BORROWING REGIONAL MEMBER COUNTRIES IN BANK GROUP OPERATIONS

A. Countries Eligible to ADF Resources Only*

– Angola
– Benin
– Burkina Faso
– Burundi
– Cameroon
– Cape Verde
– Central African Republic
– Chad
– Comoros
– Congo
– Congo, Democratic Rep.
– Côte d'Ivoire
– Djibouti
– Eritrea
– Ethiopia
– Gambia
– Ghana
– Guinea
– Guinea Bissau
– Kenya
– Lesotho
– Liberia
– Madagascar
– Malawi
– Mali
– Mauritania
– Mozambique
– Niger
– Rwanda
– Sao Tome and Principe
– Senegal
– Sierra Leone
– Somalia
– Sudan
– Tanzania
– Togo
– Uganda
– Zambia

* Except for limited ADB lending for enclave and private sector projects.

B. Countries Eligible to a Blend of ADB and ADF Resources

– Nigeria
– Zimbabwe

C. Countries Eligible to ADB Resources Only

– Algeria
– Botswana
– Egypt
– Equatorial Guinea
– Gabon
– Libya**
– Mauritius
– Morocco
– Namibia
– Seychelles
– South Africa
– Swaziland
– Tunisia

** Libya is not a borrowing member country.

ANNEX VI

OPERATIONAL POLICIES AND GUIDELINES DEVELOPED DURING THE ADF-VIII PERIOD

1. Agriculture and Rural Development Sector Policy

The new Agriculture and Rural Development Sector Policy, approved in 2000, has four principal objectives: accelerated economic growth with equity; poverty reduction and food security; sustainable natural resource management and environmental protection; and human and institutional capacity building. Key guiding principles for the new policy are: a stable economic policy environment favourable to broad-based stakeholder participation, including private sector operators; sustained investment in the social sector to enhance the economic growth potential of rural communities; promoting sustained productivity growth in agriculture and rural economies; and mainstreaming gender equity. Under this policy, the Bank Group intends to assume a catalytic role in supporting technological, institutional and policy reforms towards a structural transformation of rural economies in Africa. In implementing the policy in a demand-responsive approach, the Bank has outlined an Action Plan, taking into account the diversity and regional specificity of the agricultural and rural economies across the continent. It is recognised that most of the regional member countries (RMCs) have limited institutional capacity for research and the formulation and implementation of sound macro-economic and sectoral policies, or for the preparation and execution of comprehensive projects and programs.

2. Education Sector Policy

The new Education Sector Policy approved in 2000 recognises that educational development in Africa at the dawn of the new century is taking place within a difficult context of poverty underlain by low productivity, chronic high unemployment, rapid population growth with a majority of the African population younger than 20 years of age, political instability and conflict in some countries, and the spreading HIV/AIDS pandemic. It also recognises, however, that education for all holds the key for African societies to face up to the challenges of globalisation and its consequent intensification of international competition. Further, the policy stressed the inter-dependence of the different sub-sectors of education as well as the inter-linkages between education and other economic and social sectors. A key underlying principle of the new policy is the need to adopt a holistic approach to educational development in Africa. In this context, the priority areas for Bank Group intervention are in support of quality basic education for all; the development of middle- and higher-level productive skills; and improved organisation and management in the education sector. In order to achieve these objectives, the Bank is increasingly channelling its support through sector-wide approach programs (SWAPs), and a shift of emphasis from "hardware" aspects (i.e., physical infrastructure and equipment) to "software" content (i.e., policy, institutional reforms, design and implementation of curricula, teacher training, youth and adult postschool literacy programs) is underway in Bank interventions. However, the policy also recognises that the diversity among the RMCs necessarily means that demand-based Bank interventions have to be differentiated and fine-tuned to the needs of specific countries.

3. Integrated Water Resources Management Policy

The Integrated Water Resources Management Policy (IWRMP), approved in 2000, provides a framework for Bank Group intervention in the water sector, better collaboration and information sharing with the RMCs, and coordination with other development agencies and civil society organisations on integrated water resources operations. It encourages RMCs to formulate comprehensive national policies and strategies on the integrated management of water resources, taking into account the sub-regional and regional dimensions of trans-boundary river and lake basins. The principle underlying the IWRMP is that fresh water is a single global resource in finite supply and with multiple complementary as well as competing uses. It is expected to meet social, economic and environmental needs in a context of growing water scarcity exacerbated by rapid population growth and urbanisation, rising per capita consumption demand, intensifying competition among alternative uses and users, persisting inefficient allocation, weak management institutional structures, and mounting environmental pressures on fragile water-based ecosystems. In view of this, the Bank has adopted an integrated approach in its operations with regard to water resources and will support the implementation of this concept throughout Africa. The Bank is engaging in collaborative efforts with other development agencies in the formulation of regional strategies and in support of RMCs.

4. Economic Cooperation and Regional Integration Policy

The Economic Cooperation and Regional Integration Policy of the Bank Group, approved in 2000, outlines some guiding principles which are to underpin Bank Group interventions aimed at facilitating the integration of African economies among themselves as well as into the rapidly integrating global economy. These are: open regionalism, which entails the progressive integration of the regional economies into the global economy; the need for private sector operators to be given a much greater role in the African integration process; to promote progressive bottom-up integration strategies and flexible “variable geometry” approaches; the need for countries to live up to their commitments and undertakings by implementing the integration initiatives adopted by consensus and by providing effective support to essential regional organisations, including need to rationalise and streamline them. Identified areas of Bank Group intervention are: policy-based operations geared to regional harmonisation, regional cooperation in the development and application of economic infrastructures, private sector promotion, building regional institutions, and regional sustainable development. In promoting regional cooperation and integration, the Bank Group intends to strengthen its collaboration with regional institutions – particularly with the OAU/African Union and the UN-ECA within the structures of the Joint Secretariat of the three organisations, as well as with regional economic communities, specialised regional and sub-regional organisations, and private sector forums.

5. Policy on Good Governance

The Bank Group Policy on Good Governance, approved by the Boards in December 1999, has the objective to mainstream good governance into the Bank Group operations consistent with its Charter, mandate, and current international development priorities of accelerating economic growth, promoting human resources development and reducing poverty in the RMCs. Good governance, which promotes accountability, transparency, rule of law and participation and a forceful fight against corruption, is central to creating and sustaining an enabling environment for sustainable development and poverty reduction. It is also related to the efficacy of the investments that the Bank helps to finance through its interventions in the RMCs. In this regard, due diligence provisions of the African Development Bank (ADB) and the African Development Fund (ADF) Charters provide a strong basis for mainstreaming good governance considerations in Bank Group operations. The policy urges the Bank to tackle governance issues in a much more proactive, direct and integrated manner. Bank interventions will be in the areas of civil service restructuring, reform of legal and judicial systems, strengthening financial management capacity, institutional decentralisation, and instituting participatory approaches. The Bank's interventions related to governance are chosen selectively, tailored to country circumstances and needs, and determined by the state of dialogue with the country. The activities identified to promote good governance are also to be pursued through a combination of advocacy, dialogue, research and consultations with RMCs and other national, regional and international stakeholders.

6. Policy on Population and Strategies for Implementation

The Policy on Population and Strategies for Implementation, approved by the Boards in 2001, was influenced by the follow-up activities of the recent regional and global conferences, particularly the World Population Program of Action from the International Conference on Population and Development (Cairo, 1994), the African Common Position in the Dakar/Ngor Declaration on Population. Within the context of the Bank Group's overarching goal of poverty reduction, the new policy analyses key issues in the relationship between population and socio-economic development – notably, education and employment, reproductive health, migration, refugees and displaced persons. In addition, the interface between population and other crosscutting issues – namely, the environment, gender, and community participation – is highlighted. Emphasis is on the mainstreaming of population factors into sectoral policies and issues that are closely linked to poverty reduction. The main goal of Bank Group operations spelled out in the new policy is to assist RMCs to implement their population policies and programs, in pursuit of the attainment of a balance between population growth and economic growth.

7. Gender Policy

Approved in 2001, the Gender Policy defines the commitment of the Bank Group to promote gender mainstreaming as a means of fostering poverty reduction, economic development and gender equality in Africa. It also incorporates the critical areas of concern for gender mainstreaming and empowerment of women elaborated in the Beijing Platform for Action (1995) and the African Common Position from the Dakar

Regional Conference on Women (1994). It is noted that gender has become an issue for development intervention because inequalities continue to exist between women and men and are an impediment to development. Of particular concern is the increasing feminisation of poverty in Africa, sustained by an inequitable division of labour between men and women, and unequal access to education, health, resources, participation in the political process, as well the formal labour market. The policy provides a framework for action, aimed at ensuring equal access to women and men to all Bank resources and opportunities. It proposes a new approach, Gender and Development (GAD), which addresses the issues of gender and the social, political and economic relations in an integrated perspective. The policy identifies five key priorities for Bank interventions, namely, education; agriculture and rural development; women's poverty; health; and governance.

8. Policy Guidelines on Cooperation with Civil Society Organizations

The Policy Guidelines on Cooperation with Civil Society Organisations (CSOs), approved in 2000, reflects the Bank's commitment to stakeholder participation, improved governance, expanding the range of civil society partners, and improved developmental impact on the ground, where CSOs can play a defining role in achieving the Bank's objectives. Under the new policy, the Bank is to engage in concerted dialogue with RMCs to facilitate the creation of an enabling space for civil society to operate autonomously, effectively, and accountably. Also, in the short term, the Bank will strive to increase the participation of CSOs in its operations through more systematic consultation and collaboration with stakeholder and beneficiary groups. Support for building the capacity of CSOs is a medium- to long-term objective.

9. Health Sector Policy Guidelines

The Health Sector Policy Guidelines, approved in 1999, serves primarily to facilitate effective implementation of the Bank's Health Sector Policy approved in 1996. The Guidelines outlines spells out the role of the Bank Group in the health sector, as an investment lender and financier of technical assistance activities, in relation to RMC governments, NGOs and other civil society organisations, bilateral and multilateral development agencies, and the intended beneficiaries of Bank projects and programs.

10. Guidelines for Bank Group Policy on Good Governance

The Good Governance Guidelines have still to be discussed by the Board. However, the current draft reflects the on-going work by Country Departments in addressing governance issues in RMCs. They acknowledge the role of Bank staff as active participants in the dialogue with representatives of RMCs, and identify issues that would lead to results-oriented interventions on governance. Lists of issues and questions are proposed to help assess the key governance concerns confronting each country. The Guidelines are also designed to assist in determining the priorities, reviewing actions taken by governments, stakeholders and donors, and to pinpoint what remains to be done to assist each country in improving its governance.

11. ADF Project Preparation Facility (PPF) Operational Guidelines

The Project Preparation Facility Operational Guidelines, was approved in 2000 to establish rules and procedures to guide Bank staff and borrowers in regard to the preparation of proposals to be financed under the PPF, the processing of applications, approval of advances and re-financing or repayment of advances. The Deputies, during the ADF-VIII, endorsed the proposal to establish the PPF as a financing facility complementary to the Technical Assistance Fund (TAF). The PPF was established as a financial instrument to expeditiously provide resources to RMCs, targeted to the preparatory phase of priority projects, studies and programs.

12. ADF-VIII Guidelines on the Financing of Multinational Operations

These Guidelines, approved by the Board in 2000, were prepared in order to provide the necessary procedures and selection criteria for multinational projects and programs financed from the funds set aside under the ADF-VIII Lending Program to promote regional cooperation and economic integration. The Guidelines provides a checklist of critical criteria that will be taken into account in the preparation, appraisal and the implementation of multinational operations financed under the Fund from a pool set aside by the Deputies to strengthen regional cooperation and economic integration. It is consistent with the Economic Cooperation and Regional Integration Policy.

13. Guidelines on Financial Analysis and Financial Management of Projects

The Guidelines on Financial Analysis and Financial Management of Projects, approved in 2001, provide Bank management, staff and borrowers with a comprehensive and transparent directory of standards of financial analysis and financial management for the implementation and operation of projects. The Guidelines cover: the establishment of norms for financial analysis and management of revenue-earning projects; definition of the financial management requirements for projects and project entities, to be implemented by borrowers and executing agencies; dissemination of information on the institutional and financial performance requirements of the Bank; and, establishment of a system of financial management information for the guidance and training of Bank staff and borrowers. The Guidelines were developed specifically with a view to being published on the Bank Group Intranet. This was for ease of access by Bank staff, as well as to facilitate online linkage to valuable information and data available via the Internet from peer institutions, notably, the World Bank, other multilateral development banks, bilateral and multilateral agencies.

14. Guidelines on Project Design and Economic Analysis

The Guidelines on Project Design and Economic Analysis approved in 2001 provide coherent, consistent and standard analyses for appraising projects so as to maximise economic efficiency in the context of poverty reduction, environmental sustainability and institutional support. The Guidelines are designed to assist Bank professional staff, consultants and RMCs with tools to address such questions as the rationale for the project; reasons for public/private sector involvement; relationship of project to country and sector strategy; poverty focus; policy, institutional, social and physical environment; risk analysis and, stakeholder participation. The Guidelines were developed specifically with a view to being published on the Bank Group Intranet, as in the case of the Guidelines on Financial Analysis and Financial Management of Projects.

15. The HIV/AIDS Strategy Paper

The HIV/AIDS Strategy Paper approved on 28^{th} of November 2001 is based on the basic understanding that that the HIV/AIDS pandemic has now become a multidimensional development issue with grave consequences for the development prospects of African countries. It sets two main objectives: to assist RMCs in their effort to develop and implement multi-sectoral HIV/AIDS control activities, and to support the programs prepared and led by UN specialised agencies and others in the fight against the epidemic. The Strategy reflects the declarations and resolutions of the international community and is based on the recommendations made at the consultative meeting with RMCs and development partners organised by the Bank in Yamoussoukro in April 2000. The selected priority areas for Bank's intervention are: promotion of political commitment at all levels; support to sectoral responses promoting decentralisation, community participation and ownership; and the strengthening of co-ordination in HIV/AIDS control. On its part, the Bank will seek to: operationalize its strategy through: mainstreaming of HIV/AIDS in Bank operations; undertake advocacy and policy dialogue in RMCs; and promote partnerships.

ANNEX VII

Reports, Operational Guidelines, and New Instruments Requested by Deputies for Preparation During the ADF-IX Period

Policies, Operational Guidelines, New Instruments, and Action Plans

1. Operational Guidelines on user fees in the education and health sectors (#5.4 and 5.5)
2. Regional Strategy Papers (RSPs) and Regional Institutional Strategy Papers (RISPs) instruments and guidelines (#5.10)
3. Operational guidelines on post-conflict interventions (#5.16)
4. Operational guidelines on SWAPs (2002) (#5.22)
5. Operational guidelines on the use of grant resources (#6.10)
6. Operational guidelines on PBL operations in governance and regional integration (#7.3)
7. Consolidated Action Plan on Development Effectiveness (2002) (#8.7)

Reports

1. Annual Report to the Board on MOUs with the World Bank and other institutions (beginning in 2003) (#5.21)
2. *Annual Report on Development Effectiveness* (beginning in 2003) (#8.7)
3. Progress Report on Evaluation of Undertakings of ADF-VII, VIII, and IX (the Report itself to be completed by 2004) (#8.8)
4. Evaluation of the ADF-IX Grants Program over the Course of the Replenishment Period (#6.11)

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Policies, Guidelines and Reports under Preparation by the Fund

1. Revision of Poverty Reduction Policy (#4.2)
2. Operational guidelines on communicable diseases (2002) (#5.6)
3. Strategic Plan of Action on Gender (#5.12)
4. Revision of Environmental Policy (#5.13)
5. Review and Update of Information Disclosure Policy (#5.20)
6. Revised Guidelines for the CPA and new guidelines for performance-based allocation of resources to post-conflict countries (#6.6)
7. Annual Poverty Reduction Report (first one issued in 2001) (#4.2)
8. Independent Review of the Governance Structure of the Fund (#10.2)