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# ADF-13 Draft Deputies Report Comments and Revisions

As of 6 September 2013

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ADF-13 Third Replenishment Meeting  
September 2013  
Paris, France



**AFRICAN DEVELOPMENT FUND**

Comments	Action/Response
<b>General Comments on the Structure of the Report</b>	
<p>The structure should be revised. Is part B not about the Deputies' Report? The current draft document is work in progress and not only its content but also its structure and some of the headlines should be revised (there are also some duplications in the main body of the report and the annexes).</p>	<p>The structure of the Deputies' Report is now an Executive Summary of 4 pages and the main body of the Report of 24 pages. Headlines in Exec Summary are eliminated to avoid duplication.</p>
<p>On structure, we believe there is quite some repetition between Part A and B of the report and even within Part B. Maybe the headline structure can be improved to make the Report a more fluid read.</p>	<p>The document has approximately the same length as ADF-12 Report. Some additions were necessary to accommodate other requests from Deputies.</p>
<p>The document seems to us too long. 10 to 15 pages (plus Annexes) would be a reasonable target.</p>	
<b>Post-2015 MDG Agenda</b>	
<p>We appreciate that the link between the ADF-13 and the Ten Year Strategy is clearly outlined in the draft Report. We would, however, like to see a reference to the Post 2015 Development Agenda.</p>	<p>Text revised accordingly with the introduction of a sub-section with <i>The Post-2015 Development Challenge</i> under section 2 (para 2.1 to 2.6)</p>
<p>We would also like to see reference to how the Bank will seek to prepare itself for the post-2015 development agenda. We see a particular need to ensure the Bank is aligning itself to support the objectives of the Sustainable Energy for All initiative in Africa by supporting universal access to modern energy services, helping to double the rate of improvement in energy efficiency and helping to double the share of renewable energy in the energy mix.</p>	<p>Also SE4ALL is mentioned in paragraph 2.11</p>
<b>Strategy and Inclusive and Green Growth</b>	
<p>On the operational priorities, we really miss a strong narrative on the relationship between a strongly infrastructure oriented pipeline and the twin objectives of inclusive growth and transition to green growth. This was something mentioned by many Deputies in the first round and we believe that the message was clear that we expected the bank to provide us with convincing arguments on this relationship.</p>	
<p>The single most important political issue from our side is how the Fund plans to work differently related to inequality and inclusive growth, and how this is going to be measured. We are a bit disappointed that the Inclusive Growth Index referred to in Annex II in the first draft Report now seems to be removed and that this Index expected to bear fruition by mid-June seems not to have materialized. With inclusive growth as the first and overarching objective of the ten year Strategy, we definitely need some good indicators also at country level like the ones introduced as results</p>	<p>The new Inclusive Growth Index and the African Infrastructure Development Index are referenced in para 2.9 and 2.10 to demonstrate the linkage between infrastructure and inclusive growth.</p>

Comments	Action/Response
<p>indicators for the Strategy monitoring Africa's progress as a whole.</p>	
<p>Reference to green growth/climate change should already been included in the first paras in Part A</p>	<p>We have elaborated the TYS objectives of inclusive and green growth early in para 3 in Exec Summary and added climate variability to the tipping point in para 1.2</p>
<p><b>Operational Priorities</b></p>	
<p>We ask Management for a more detailed and convincing “narrative” on the strategic priorities of the AfDF-13 (not every reader knows the Strategy 2013-2022 by heart) including references to the post 2015 process, climate change adaptation/mitigation but also to the other issues noted in the Chair’s Summary of the 2nd replenishment meeting (para 34) that have not been addressed by the report so far. The Report should elaborate in more detail on how the AfDF-13 will address the core strategic priorities and the cross cutting issues of the Strategy 2013-22 The report should also make stronger references to: Post 2015 process; Climate Change; Policy dialogue; Partnerships; Managing for Results (and not only results measurement)</p>	<p>We have provided a narrative on the operationalization of the Strategy for 2013-2022 in paras 2.15-2.52 on how the Bank Group will implement the core operational priorities with the objectives of inclusive and green growth. The three areas of special emphasis on fragile states, agriculture &amp; food security and gender are elaborated as well.  Text has been revised accordingly to make stronger references on Policy dialogue (2.53-2.59) and Managing for Results (3.16-3.23).</p>
<p>As to the core operational priorities and areas of special emphasis for the ADF-13, we would welcome further elaboration on the ADF’s approach to 1) Governance and Accountability (operational priority) and 2) Agriculture and Food Security (special emphasis). In particular, the good governance agenda promoted by the ADF-13 merits further discussion in the Report bearing in mind the Bank Group’s comparative advantage as a trusted partner in the African countries.</p>	<p>Text has been revised accordingly to make stronger references on Governance and Accountability and Agriculture and Food Security (para 2.25-2.26, and 2.43).</p>
<p>Executive summary should limit itself to wrapping up the main initiatives expected from the ADF; and the detailed report should explain in a paragraph or two for each theme (inclusive growth, green growth, FS, gender, regional, etc.) what the ADF will do concretely. Taking as a basis 1) Africa’s evolution, 2) ADF specificity, 3) the 10-year Strategy and 4) the post-2015 process would constitute to our view a sufficient narrative; this narrative should be briefly explained in the introduction to the detailed report, which would allow the section on operational priorities to focus not on why ADF does this or that but on what it will concretely do during its 13th cycle. We moved a few of the paragraphs from the executive summary to this section, as it seems more appropriate. We shortened a few paragraphs (for example, natural resource management is a very important issue and we’re very supportive of ALSF, but it was only shortly discussed between us and has</p>	<p>Noted, narrative flows along these topics (Africa’s evolution, ADF specificity, Strategy 2013-2022 and post-2015 agenda). Natural resource management section has been a specific request from other Deputies to place enough importance to domestic resource mobilization.</p>

Comments	Action/Response
<p>little decisional content). Finally, we need more concrete content, for instance on Fragile states (on this topic we proposed a few elements, but would support more detailed developments) and gender.</p>	
<p><b>Governance</b></p>	
<p>Although we share the positive outlook on Africa's development, the report should not only address global challenges but also internal obstacles (corruption, bad governance, political crises) which still need to be tackled so that Africa can unlock its full potential for development.</p>	<p>The challenges of lack of governance, corruption and peace and security are referenced in para 2.4 in context of the emphasis placed on this in the Post-2015 MDG agenda. Para 2.5 has been added to acknowledge corruption and bad governance as internal obstacles.</p>
<p>Can only support the envisaged stronger infrastructure focus of the AfDF when complementary infrastructure governance measures become an integral part of all infrastructure projects. Therefore, we ask Management that infrastructure governance will also be addressed by the report.</p>	<p>Two new paras added (2.27, 2.28).</p>
<p>Some Deputies asked whether a draft version of the upcoming Governance Framework and Action Plan (GAP II), or a summary of it, could be shared with the Deputies for the final meeting. Richard Manning indicated in a mail that Management had taken good note of this point and that we would get a response shortly. We would appreciate receiving a positive response to our request.</p>	<p>The GAP II report will be discussed at Board on September 17 before the 3rd replenishment meeting. A note on the key points of the GAP II can be made available to Deputies.</p>
<p><b>Policy Dialogue</b></p>	
<p>Do we need an approach or strategy on the Bank's engagement in policy dialogue and policy advice? And refer to this in the ADF-13 Implementation Matrix. Refer to G-20 as it is an important forum where Africa issues are discussed. Refer to G-20 as it is an important forum where Africa issues are discussed.</p>	<p>A Note on the Bank Group's Engagement on Policy Dialogue is being prepared and will be posted on ADF secure website. G-20 is mentioned in a footnote in the section on para 2.56 (footnote 20)</p>
<p>We ask for more references to the role of the Bank regarding policy dialogue at country level (and how the Bank intends to strengthen its respective capacities) as well as the importance of effective partnerships and division of labor among donors and in particular multilateral agencies.</p>	
<p><b>Illicit Financial Flows</b></p>	
<p>Wording of paragraph could be more ambitious about what will be done and how. If there is a direct connection between the areas of intervention ADF instruments and this goal</p>	<p>Sub-Section on illicit financial flows has been strengthened (2.59-2.62).</p>

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<b>Natural Resource Management</b>	
<p>We appreciate that the text on the Fund’s role in supporting proper use of natural resource management has been strengthened and that the Fund commits itself to be part of the global fight against illicit financial flows. Many mineral-rich countries have actually experienced lower growth and greater internal inequality than other countries. This is called the resource curse. Natural resources represent large potential for jobs, growth and domestic revenues and if properly managed; Africa will need less aid in the future.</p>	<p>Sub-Section on Natural Resource Management has been added (2.29-2.31).</p>
<p>On inclusive growth, we would welcome a broader approach with explicit reference to distributional policies as part of the ADF’s inclusive growth agenda. While we acknowledge the Report’s emphasis on equal access to opportunities and improved natural resource governance, we would like to highlight the importance of domestic revenue mobilization and taxation as an integral component of inclusive growth.</p>	<p>The report contains several references to domestic revenue mobilization and taxation as an integral component of inclusive growth (Para 10 Exec. Summ; para 2.63-2.65).</p>
<b>Gender</b>	
<p>Include a reference to gender such as the adoption of the strategy and determining the exact role of the special envoy?</p>	<p>Additional text included (para 2.44-2.48).</p>
<p>We support the Gender Strategy’s suggested focus on three important areas. However, the limited focus on three areas must not replace the equally important work of mainstreaming gender in all the Fund’s projects and activities. We welcome a Special Envoy for Gender, but would have liked to see a reference in the Report regarding plans to increase necessary competence and capacity in this area in order to match the Fund’s ambitions and commitments. It would also be interesting if you could identify some good and relevant incentives to get more active involvement of the staff in gender mainstreaming.</p>	
<b>Institutional effectiveness</b>	
<p>It seems to us it could be better structured and we would suggest structuring it around the 4 points suggested by the US in the paragraph they added. On each of these aspects, backward-looking summaries should be avoided and we should focus on what the ADF will do.</p>	<p>Text has been revised accordingly (para 3.1-3.11).</p>
<p>On the Institutional Effectiveness Initiatives matrix, it is not clear whether or not this matrix and the prioritization of initiatives it puts forward will still be subject of discussion in September or not, although we think it should be, especially because so many of the Deputies have voiced their concern about a potential reform overload and the need to make a real prioritization of the initiatives proposed.</p>	<p>A more detailed Institutional Effectiveness Matrix has been added in</p>

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<p>The set of monitorable actions is not as we were led to expect. It is simply a list of policies to be approved and reports to the MTR. We had envisaged that it would capture expected progress on critical reforms, with measures of the impact of these reforms on ADF (through another column that would include quantifiable indicators on what success would like for each reform). Some targets could link to levels 3 and 4 of the RMF.</p>	<p>Annex I (Table I-2) – over and beyond the commitments of in the Implementation Matrix for ADF-13. It includes expected results and indicators.</p>
<p><b>Return to Abidjan</b></p>	
<p>We miss further explanations on what the Bank intends to do to ensure that the operational effectiveness of the AfDF won't be negatively affected by the return process to Abidjan. The return to Abidjan will be the main institutional challenge during the upcoming AfDF-13 cycle. Therefore, it needs to be addressed by the report in more detail. E.g. application of early warning indicators, references to the management team for the return etc.</p>	<p>Text has been revised accordingly (para 3.5 and 3.7).</p>
<p>We miss clear and reassuring references to the return to Abidjan process, its potential impact on the ADF 13 implementation and the measures being taken in place to ensure it does not disrupt the operations of the Fund and the Bank in general. We would value that, on page 9, paragraph 3.5, instead of reading that Management took note of the two priorities, there was the reassurance by President Kaberuka that both the return to Abidjan and the decentralization agenda were clear priorities in the context of any institutional initiatives matrix.</p>	
<p><b>Results</b></p>	
<p>Clarity on how VFM is captured in the Results Framework. The report should better address what will change to encourage 'managing for results' to build on progress to date on 'measuring results'.</p>	<p>Text has been revised accordingly (para 3.16-3.23).</p>
<p>It should be mentioned that cost effectiveness considerations also apply to the RMF.</p>	
<p>Concerning the RMF subsection, more concrete content would be useful; and precisions on how the results matrix will be discussed as well. Concrete content could be, for example, a few lines for each operational priority on what indicators are best suited to monitor progress.</p>	
<p><b>Evaluation</b></p>	
<p>Seeks response to the request of some plenipotentiaries on strengthening the independence of OPEV.</p>	<p>Text has been revised accordingly (para 3.24-3.27).</p>
<p>Looking ahead to the MTR we propose that reference be made to some form of OPEV evaluation.</p>	<p>Text has been revised (para 6.3).</p>

Comments	Action/Response
<b>PBA</b>	
Percentage share for resources directly and indirectly channeled through the PBA could be distinguished	
We still have major concerns regarding the inclusion of new indicators to the PBA formula and Management hasn't put forward any new arguments/data so far.	Management will present a Note on the PBA in the third meeting to discuss these items further.
With regard to PBA, we request the Management to show the figures of share of "direct" PBA. We recognize most of the resources allocated outside PBA are also based on the principle of performance. However, it is fair to show that the share of direct PBA has been gradually decreasing, which we are concerned about.	Information has been provided accordingly (para 4.7).
We would just inform Management that elimination of MDRI netting out is under discussion in IDA-17 replenishment meeting. We encourage the Management to take into account the discussion.	
<b>Regional Operations</b>	
Why is decision on ceiling of RPG funding a Board matter and not Deputies' decision?	While there is no intention to depart from the 15% ceiling for Regional Public Goods, Management believes that some flexibility should remain until the Board of Directors discusses the successor to the Regional Integration Strategy and the revised "ADF Regional Operations Prioritization and Selection framework", which will encompass selection of RPGs. This will ensure that the Fund plays a catalytic role in achieving the ambition to deploy critical Regional Public Goods for the continent. Furthermore, it provides the Board of Directors for added agility in providing regional responses to crisis during the last year of ADF cycles, should the need arise, without consulting the Board of Governors to that effect.
<b>Fragile States</b>	
Re-visit our decision on the size of the allocation under Pillar II, particularly the set aside for Zimbabwe. We do not propose this lightly, but upon reflection we are uncomfortable presuming 100% debt relief for a country that exceeds the HIPC threshold; in addition, we believe it is highly unlikely that Zimbabwe will qualify for debt relief during the ADF-13 period; and finally, given the risks of a replenishment outcome that falls below previous ADF levels, we believe it is critical that all available resources be allocated for programs.	Noted. While Management wishes to retain the original proposal and agreement during the second meeting, we recognize that Deputies may wish to revisit the issue.

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<p>With regard to FSF/PBA, we understand that the concrete figures of discount and top-up multiplier were agreed in the second replenishment meeting. That is why we encourage the Management to describe these instruments more specifically.</p>	<p>Additional text included (4.19 (iv))</p>
<p>4 sub-bullet points on FS in the PBA section needs further explanation in the 3rd meeting.</p>	<p>More details and clarification on proposed adjustments are provided in the Note on Fragile States being prepared for the 3rd meeting.</p>
<p>Also on the Fragile States section, we miss a clear reference to the discussion/ decision on the 10% Pillar I set aside and a clear proposal of prioritization criteria for its allocation to unforeseen fragility situations, whose utilization is to be revised by the MTR exercise</p>	
<p>On the Fragile States Facility section(s), we believe the report does not appropriately reflect the discussion had on responsiveness and early delivery of aid to these countries, strengthened by the compelling testimonies provided by representatives of RMCs. Deputies encouraged the Bank to look into how FSF interventions can be made more agile and responsive, for example procurement procedures wise, without neglecting the prudential risk management..</p>	
<p>The report needs more explicit references to what the Bank will do differently in fragile states, noting the importance that management and many donors have put on this issue during our discussions. ‘Strengthening’ engagement is not sufficient. In this regard, we support comments from Portugal.</p>	<p>The section on fragile sates has been revised substantially (para 2.37-2.42). It will updated further after the third meeting, reflecting discussions on the Note of Fragile States and presentation by the High Level Panel.</p>
<p>On institutional effectiveness we would like to highlight the importance of enhanced collaboration between the Bank Group and other development partners as a key condition for achieving sustainable development results. We appreciate the Bank Group’s commitment to align itself with the New Deal for Engaging with Fragile States but, in this context, we would also like to point out the importance of close collaboration with the UN.</p>	
<p><b>Africa 50 Fund</b></p>	
<p>We would welcome a stronger emphasis on the importance of local resource mobilization and in this context we support the general direction Management wants to go with the Africa50Fund. But we don’t understand why the paragraph on the Africa50 Fund is part of the chapter on AfDF Resource Allocation as no decisions have been made regarding the allocation of AfDF resources to the Africa50Fund. Therefore, at the current stage of the deliberations on the Africa50Fund we recommend to make NO direct link between the Africa50Fund and AfDF-13 (and in particular AfDF-13 resource allocation).</p>	<p>Text has been revised and placement adjusted accordingly (para 2.21)</p>
<p>At this moment, we have not any decision on whether the PBA resources is utilized for Africa 50 fund, so it is fair to say that Africa 50 fund should not be a part of the chapter on AfDF Resource</p>	

Comments	Action/Response
Allocation.	
We would also be fine with keeping it as long as the questions that we raised are explicitly listed. Alternatively, this could be included in a subsection on the mobilization of resources of the African continent.	
On Financing Instruments, we have some reservations on having the Africa 50 Fund explicitly mentioned as a financing instrument under the ADF-13, especially since it was not discussed formally in the replenishment sessions.	
<b>Financing Instruments</b>	
<p>We believe it makes sense to add an explicit benchmark on AfDF's private sector leveraging ratios in the RMF.</p> <p>Finally, we would like to keep on the table the option of identifying a separate pool of capital to back the PRG instrument to avoid the direct trade-off between the use of these instruments and investment lending. This could, of course, be revisited and assessed at the mid-term review.</p> <p>We remain opposed to extending the Partial Credit Guarantee Instruments to SOEs, as noted in the June meeting, so we hope that Deputies can agree to remove that proposal.</p>	Text has been revised accordingly (para 4.18. (i)).
Is the PBO allocation ratio the same as for ADF-12? Request further clarification on compensation for Grants.	Yes. The PBO allocation ratio remains the same as in ADF-12. Resources provided through PBOs will not exceed 25% of the total PBA envelope (para 4.17 (ii)).
<b>Cancelled Resources</b>	
As for internal resources, many deputies expressed that the resources from cancellations which have not been utilized yet and will be utilized in the years of AfDF-13 should be counted as a part of the total replenishment of AfDF-13. We encourage the Management to describe that it adds the amount of UA210M in the resources of AfDF-13.	Cancelled resources are not part of ADF-13 Resources but considered additional resources expected to be available during ADF-13 (para 5.9).
<b>ADF-13 MTR</b>	
That consideration to be initiated on the possibility of other form of finance for ADF-14 drawing on the experience of IDA-17.	Text has been revised accordingly (para 6.3).