

ADF IX Implementation and Expectations

2006 Orientation Program for
DMC Officials

5 September 2006

ADB

Context of ADF

Over more than 3 decades USD 31.5 billion have been lent cumulatively to 31 developing member countries

Share of ADF in overall ADB portfolio:

27% of cumulative lending (end 2005)

Periodic replenishments of ADF:

46% of resources provided by donors

Original ADF (1973) has been replenished 8 times

ADF IX Negotiations

Period covered: 2005-2008

Total envelope: USD 7 billion (of which
3.2 billion new donor contributions)

Donor meetings in 2003/2004

Concerns expressed by donors:

How to increase development effectiveness

Response by ADB:

Operational and institutional changes

The Development Effectiveness Agenda

At the operational (country) level:

Country Ownership

Results-based Country Strategies

Building Partnerships

Empowering Resident Missions

The Development Effectiveness Agenda (cont.)

At the institutional (HQ) level:

Strengthening ADB's Governance and Management Systems

Managing for Development Results

Improving Accountability and Transparency

Carrying out adjustments in policies

Performance Based Allocations System in ADF IX

Changes made to 2001 PBA Policy:

Country Performance Assessments (CPAs) were improved and results disclosed

PBA formula was adjusted in favor of smaller countries and good governance

Issues remaining:

Perceived disconnect between performance and allocations

Continued allocation shift to larger blend countries

Non-utilization of ADF allocations by some DMCs, etc.

Grants in ADF IX

First time that grants are part of ADF program (up to 21% of total)

Main target are poorest DMCs with specific vulnerabilities (debt-stressed, post-conflict, infectious diseases)

Allocations to 9 grant-eligible DMCs: \$246.6 in 2005, \$235.7 so far in 2006, below 4-year average annual targets

Possible alignment with IDA-14 framework will smooth out some current discrepancies, but will also remove set-asides for infectious diseases (2%) and high-priority technical assistance (3%)

Approach to Weakly-Performing Countries

How to address dilemma of PBA versus WPC

Build strategic partnerships with other development agencies (minimize burden on WPC)

Work with viable domestic groups on delivering basic services and security

Stress selectivity and careful sequencing

Achieve “quick wins” through smaller projects

Overcome non-accrual status restrictions

Governance and Anti-Corruption Policies

Action Plan 2006-2008 has just been finalized

Focus at country level on

- public expenditure management (training workshops)
- limiting opportunities for corruption (community education plans, procurement audits, etc.)

Harmonization with other MDBs and sharing of best practices

Private Sector Development

PSD's key role in poverty reduction is recognized and actively promoted

At the country level : PSD is included in the CSP process; efforts are undertaken to post private sector specialists in Resident Missions

At the institutional level : closer collaboration between the regional departments and PSOD (VP oversight, joint missions, new reporting lines, etc.)

Management of Financial Resources

Disbursement Issues :

How to reduce the lag between approval and implementation

Cancellations and reprogramming of undisbursed loan commitments :

Develop criteria and improve processes

ADF currency alignment to SDR :

Benefits both DMC borrowers and ADF resource management

ADF IX Mid-Term Review

MTR represents the central accountability mechanism for ADF

Donor meeting is scheduled 4-5 December 2006 in Frankfurt

Preparation of 10 stand-alone reports supplemented by Integrated Report

Conclusion

- Effective use of ADF resources is pre-condition for more resources being made available
- Important for ADB to be aware of constraints at country level so that remedial action can be taken

Thank you.

ADB