

ADF KEY MESSAGES

1. The ADF provides concessional financing to stimulate growth and development in Africa.

- The ADF is the concessional financing arm of the ADB Group. It promotes economic and social development in 40 low-income African countries through the provision of concessional loans and grants (to both the public and the private sector) to finance projects and programs, as well as technical assistance for studies and capacity-building activities.
- Concessional financing remains the most appropriate form of funding for low-income countries, many of whom face the risk of debt distress, even after substantial debt relief from the international community.
- The ADF plays an important role in a world in which financing for development remains an absolute necessity but in which commitments to increase aid, such as those made at Gleneagles in 2005, are not always fulfilled by bilateral donors. According to the OECD, donors must still add approx USD 30 billion to the 2008 ODA level (USD 10-15 billion to their current commitments and spending plans) if they are to meet their 2010 targets.
- The ADF is replenished every three years by 26 donor countries. The most recent and 11th replenishment of the ADF, for the Fund's 2008-2010 operations, was concluded in December 2007 to the tune of US\$ 8.9 billion. The Fund's core strategic priorities under ADF-11 include infrastructure, governance, and regional integration, with special attention for fragile states.

2. The ADF contributes to development results on the ground.

- Results are achieved in a variety of sectors, ranging from irrigation systems leading to improved crop yields, to microfinance loans enhancing household incomes, to regional integration improving energy access and affordability.
- In the past three years, ADF resources financed the construction, rehabilitation or installation of:
 - 12,800 kilometres of paved and feeder roads, giving more than 41.5 million people improved access to transport;

- 3,150 km of power lines, 500 substations and 200 MW of power capacity, to give 16.6 million people a new electricity connection;
 - 3,600 wells, 230 km of water pipes and 15,900 latrines, providing an additional 1.7 million people with access to clean water and sanitation;
 - 11,500 classrooms/facilities, to provide education for 11.2 million newly enrolled students;
 - 400 health centres, and the training of 8000 health workers, which has improved 13 million people's access to health services.
- The ADF helps to make Africa an attractive place to invest by building the infrastructure necessary for production, distribution and export: roads, railroads, ports, power supply and transmission, etc.
 - The achievement of results will be the main theme of the ADF-11 Mid-Term Review Meeting in Helsinki in October.

3. The ADF helps countries to perform.

- The ADF works closely with its Regional Member Countries to align its programming to their national development plans.
- The ADF has different instruments with which to support clients' development: investment loans and grants, policy-based loans (sector and budget support), analytical work and studies such as economic and sector work, technical assistance, and policy dialogue. It also provides substantial amounts of debt relief and helps countries to clear their arrears.
- The ADF is responsive to countries' needs: use of these instruments is tailored to countries' specific circumstances, and new programmes and instruments are developed as they are needed.
- The ADF resource allocation system is performance-based: strong performance is rewarded. For example, from 2008 to 2009, countries like Burkina Faso, Burundi, Chad, Djibouti, Republic of Congo and Zambia improved their Country Performance Assessment score by between 5 and 10%, and saw their ADF allocations rise by 12 to 48%.
- The ADF also supports countries in strengthening their capacity to manage their own development process, through policy advice, technical assistance, use of country public financial management systems, and the like.

4. The ADF is a reliable and cooperative channel for aid to Africa.

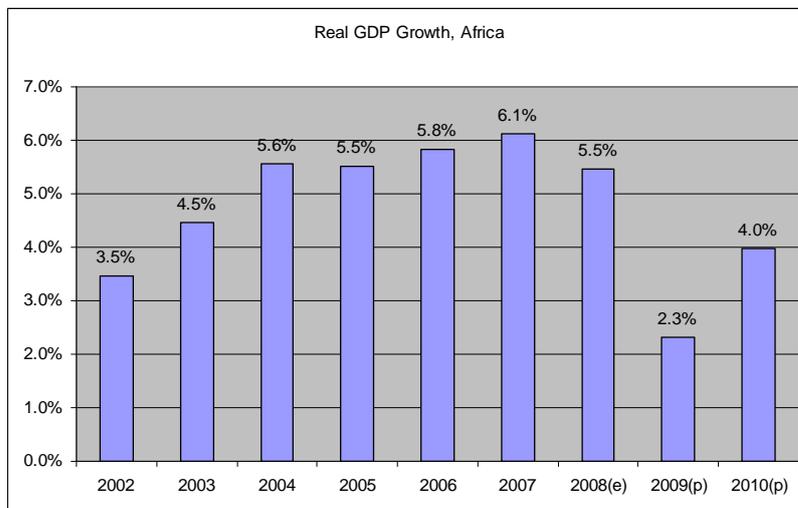
- The ADF focuses on core areas: infrastructure (52% of 2008-2009 approvals), governance (31%), regional integration. A special attention is given to fragile states.
- In the field of infrastructure, the Bank Group leads the implementation of NEPAD's Short-Term Action Plan, leads the Program for Infrastructure Development in Africa and hosts and manages the NEPAD Infrastructure Project Preparation Facility. The Bank also hosts the Secretariat for the Infrastructure Consortium for Africa.
- As regards governance issues, the Bank Group has been designated by the African Union as the lead agency of the African Peer Review Mechanism for Corporate Governance, including financial and banking standards.
- In terms of regional integration, the Bank is an active contributor to the on-going African Union initiative to rationalize regional economic communities.
- It has ramped up its knowledge, capacity, strategy and efforts in the cross-cutting areas of environment, climate change and gender.
- It has a solid policy framework which will continue to be pursued over the coming years, in order to broaden and deepen the accomplishments during ADF-12.
- The ADF collaborates with other donors to jointly make optimal use of resources. It increasingly channels its assistance through common arrangements and participates in donor coordination groups at country level. In addition, the ADF leverages financing from external sources through co-financing arrangements and public-private partnerships: since 2002, approximately UA 3.7 billion of ADF financing has been matched by over UA 18 billion from co-financiers.

5. The financial and economic crisis threatens to undo the progress which has been achieved in Africa in the recent years.

- Strong economic growth rates over the past 6 years (2003-2008) helped to reduce poverty and improve welfare. Substantial debt relief provided fiscal

space for governments to increase spending in the social sectors. Progress was being made towards the Millennium Development Goals.

- In 2009, a number of countries have been hit hard by reduced external demand, plunging export prices, weaker remittances, and sharply lower capital inflows. Debt ratio's have deteriorated, threatening the recently achieved debt sustainability.
- GDP growth is decelerating: the most recent ADB forecasts estimate that Africa's growth will not exceed 2.3% in 2009, down from the pre-crisis growth rate of 5.8%. It will take between USD 50 and 60 billion a year to maintain growth at the pre-crisis level. In addition, the continent would need an infusion of about USD 72 billion per year to achieve the MDG's.
- For the first time in more than a decade, the African economy is growing more slowly than its population, so income per head is declining. Millions of people risk falling back into extreme poverty (less than USD 1.25 a day); hunger and malnutrition threaten to rise. These people need the support of the ADF.



6. The ADF responds efficiently to crisis-related needs in Africa

- The ADF has heeded the calls of the international community to respond expeditiously to the financial and economic crisis.
- It has accelerated the delivery of ongoing programmes and advanced the approval of new projects: it is heavily frontloading the resources available. For example, total ADF approvals for 2008 stood at UA 1.67 billion, as against UA 1.38 billion for 2007, an increase of 21%. In the first 7 months of 2009, an

additional UA 1.41 billion has been approved for new projects and programmes.

- More use is being made of fast-disbursing instruments such as budget support: the share of policy-based loans in overall PBA approvals increased from 14% in ADF-10 to 36% as of end-July 2009 (this figure is expected to decline again to 22% by the end of ADF-11 in Dec. 2010).
- Disbursements of ongoing projects have also been accelerated: as of end-July, 11% of the undisbursed stock of project amounts (excluding budget support operations) has already been disbursed, compared to between 6 and 7% at the same period for the three previous years.

7. African countries need support in order to achieve the Millennium

Development Goals.

- Many African countries have geared their national development plans towards pursuing the MDG's, and much progress has been made in recent years, but there is still a long way to go.

8. The ADB Group is uniquely positioned to support countries in achieving the MDG's.

- The ADF is the concessional financing arm of the ADB Group, which is the regional development agency for Africa, majority-owned by African countries. Unlike other development agencies, it is focused only on Africa and covers all African countries. "For Africa, by Africans".
- Due to these specific characteristics, the Bank Group is specialized in and has a better understanding of African issues than other development agencies. It has engaged in a large-scale program to further deepen its understanding of the development challenges facing the continent through research and analysis, and to become the continent's knowledge platform.
- The ADB Group is the leading voice of Africa on the world stage and its representative in international fora. It convenes meetings of African leaders like the C-10 Committee of Finance Ministers and Central Bank Governors to formulate and coordinate Africa's response to current issues such as the financial and economic crisis.

- The Bank's unique structure and voice make it the partner of choice for a broad range of special African mandates and initiatives. In addition to its regular collaboration with the African Union and the United Nations Economic Commission for Africa on all major development issues for the continent, the Bank Group has been given lead mandates by the New Partnership for Africa's Development (NEPAD) in its main areas of focus.
- No other institution allocates a larger share of its resources to infrastructure (UA 1.4 billion in 2008, 44.5% of total operations approvals) and regional integration (UA 597 million in 2008, 18.8%), two areas which are crucial for economic development and which are in great need of investment.
- The ADB Group is also one of the leading institutions in the private sector in ADF countries. In 2008, about 55% of the Bank's private sector lending operations (about UA 570 million) took place in low-income countries. In the first semester of 2009, this share increased to about 60 % of total private sector lending operations or about UA 233 million. Its activities include investing in small and medium-sized enterprises, which create employment and thus improve families' welfare.

9. The ADB Group has reformed itself and strengthened its internal capacity to deliver.

- An ambitious institutional reform programme has been implemented over the past 4 years. Business processes have been reviewed. Quality assurance has been strengthened. A large recruitment campaign has been successfully pursued.

10. The ADB Group is increasing its presence on the ground.

- The decentralization process, through the establishment of country offices, brings the Bank Group closer to its clients. Already operating from 27 countries, it is expanding its visibility, presence and engagement.
- The institution is also enhancing its knowledge base and increasingly engaging in policy dialogue with local and national authorities. Thanks to its field offices and professional staff on the ground, the Bank Group has greater capacity to deliver effective assistance.

