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A.I.D. STRATEGY FOR THE SIXTH REPLENISHMENT
OF THE AFRICAN DEVELOPMENT FUND

Organization of Paper

This document is organized as follows:

Section I provides a summary of the paper;

Section II explains the schedule for the Sixth Replenishment;

Section III provides a summary of organizational and financial background on the African Bank group;

Section IV sets forth the major weaknesses in the Bank and the Fund, summarizes progress on reforms to date, and enumerates the remaining changes required to make the group a viable financial and development institution;

Section V sets out the issues to be considered in defining the U.S. Position;

Section VI draws conclusions and proposes conditions for the Sixth Replenishment;

Section VII provides recommendations on the replenishment level.

I. Summary

The Sixth Replenishment (1991-1993) of the African Development Fund (AfDF) is now being negotiated between the non-regional (donor) members of the African Development Fund and Bank management. As the resources from the last replenishment will be largely depleted in December 1990, these negotiations must be accomplished as quickly as possible to avoid disruptions in lending. The second and key meeting is to be held in Washington D.C., September 28-30, 1990.

Bank Management has requested more than a 50 percent real increase over the last replenishment (1989-91). The absolute change in level would be from $2.7 to $4.8 billion. The U.S. agreed to provide some 11.8 percent ($315 million) of the last replenishment. Though Bank operations seem to have improved somewhat over the period, these slight improvements do not justify the increase, nor given past performance, would effective use of these resources be guaranteed.

This document sets out the A.I.D. negotiating strategy for these negotiations. As the largest donor in the Bank and the second largest donor (after the Japanese) in the Fund, the U.S. has a pivotal role to play in establishing the conditions for the replenishment.

By virtually all accounts, Africa is at the edge of an economic and social abyss. At the same time, OECD donor assistance risks being siphoned off to other regions, such as Eastern Europe.

Meanwhile, as a result of the last capital increase for the Bank, (General Capital Increase IV 1987-91), the Bank/Fund group has become an extremely significant lending institution in Africa, providing nearly $3 billion in hard and soft loans and grants to the continent in 1989. Now, more than ever, the Bank group is faced with the conflict between moving significant amounts of money quickly vs. improving quality control.

We believe for these reasons that the time is right for the U.S. to be tough in its demands for more effective use of Bank/Fund resources. Our general position should be to limit resources and to improve quality. As part of this strategy, we must seek to convince the other major donors to support this tough approach. Currently, many of the donors appear willing to take a hard line. For our own part, as we demand more from the Bank group, we will have to be more vigilant in monitoring progress than we have in the past.

There is one focal point for this replenishment: improved loan quality and impact. This strategy proposes specific, annual benchmarks of progress in these areas. If these benchmarks are not met, the U.S. must be willing to withhold funding.

II. Replenishment Negotiation Schedule:

The initial meeting of negotiations between Bank management and non-regionals for the Sixth Replenishment took place in Abidjan June 1-2, 1990 after the Annual Meeting of the Board of Governors.

This first meeting established the major issues for the remainder of the negotiations. The tone was cordial. It is not clear, at this time, how significant the differences are between the non-regionals and Bank management. Depending upon these differences and the resultant pace of the negotiations, an additional two or three meetings will be needed to complete the negotiations.

The second meeting is to be held after the World Bank Annual Meetings in Washington, D.C. September 28-30. The third is planned for early December and may be held in either London or a Sahelian capital. A fourth meeting may or may not be necessary depending on how the negotiations proceed.

Every effort will be made to reach resolution prior to January 1991 in order that the Fund be able to operate without a funding hiatus.

III. Background on the African Development Bank Group

It is instructive at this point to summarize key facts about the African Development Bank group.

Composition

The African Development Bank Group is currently comprised of the African Development Bank (AfDB) and the African Development Fund (AfDF).

The key differences between the Bank and the Fund are: loan terms -- hard vs. soft; the need for greater financial portfolio management on the Bank side; and the greater non-regional voting power in the Fund. Specific financial portfolio management reforms are generally not applicable to the Fund.

It is important to understand that management and staff are the same for the Bank and the Fund. For this reason, reforms negotiated on program quality for the Fund replenishment will also have an impact on Bank operations. Likewise, conditions for the last GCI (General Capital Increase) also impact on the Fund. Conclusions of the Mid-Term Review of the Bank's most recent replenishment or General Capital Increase (GCI) GCI are equally applicable to the Bank and the Fund and are incorporated into this replenishment strategy.

Historical Development

Development of the Bank by Africans during the 1960's led to the creation of an institution which is defined more by political than financial considerations. The Bank was founded by African countries in 1967; the Fund was created in 1972 to tap non-regional resources.

Non-regionals did not gain membership in the Bank until 1982, by which time it was clear to Bank management that additional backing for Bank lending from outside the African continent was needed.

The African members, as well as Bank management, believe strongly that the Bank should continue to be controlled by Africans and retain its African character. It is the sole African financial institution and as such, continues to be a source of pride to its African members. As a result, the President of the Bank, Babacar N'Diaye (Senegal) is considered to have significant influence with African governments.

Though conditions have changed gradually since its creation, the Bank group continues to be highly politicized and a significant regional/non-regional division persists.

As a result, though it was started as an African institution and continues to be controlled by its regional members, it now is majority funded by its non-regional members who continue to have limited control over its lending policies.

Type and Magnitude of Lending

The African Development Bank

The Bank lent almost $2 billion in 1989 on relatively hard terms. The major borrowers were Nigeria, Morocco, Zaire, Algeria and Tunisia. (See Annex A for Bank/Fund borrowers.)Of Bank resources, the amount which is paid-in by members is only some 6.25 percent in the current GCI. The bulk of the resources is borrowed on world capital markets against donor callable capital. On the strength of this donor collateral, the Bank's rating from Standard and Poors was recently upgraded to Triple A from AA.

This rating is in apparent conflict with other assessments of financial management which indicate that the Bank may be financially exposed as early as 1992 or 1993 when significant amounts of outstanding loans will come due in countries which are ill-equipped to make repayments.

The African Development Fund

The Fund is the soft window of the Bank in which the non-regionals -- largely OECD donors -- represent 50 percent of the voting power and can maintain control. The Fund provided nearly $1 billion in soft loans and technical assistance grants in 1989 to 28 countries. Almost 90 percent of these funds went to the poorest countries in Africa which qualify as "IDA-only" in terms of World Bank lending. (See Annex B for listing of World Bank categories.)

For the Fund, virtually all the subscriptions come from the non-regionals. However, these contributions are not leveraged as is the case with shares made available to the Bank. Each dollar provided by donors provides only one dollar of concessional lending.

Therefore, increases in Fund contributions constitute an absolutely larger current budgetary expenditure by donor governments. To minimize budgetary outlays, most donors find it preferable to provide resources to the Bank over the Fund. To ensure adequate contributions to the Fund, at the time they joined the Bank non-regionals decided that a member's share of the fund should be at least two-thirds of its share provided to the Bank.

Voting Power

Voting power in the Bank represents the level of shares subscribed and effectively paid for. By this measure, the regionals have a defacto 64 percent of the voting power. However, as stated above, the real bulk of Bank resources is leveraged from financial markets on callable capital. As regional callable capital is essentially not used as backing for borrowing, Bank resources are provided by donor guarantees. The direct result of this financial situation is that the regional members exercise voting power which is not supported by actual provision of resources.

Members of the Bank are represented by a Board of 18 Executive Directors, of which 12 are regional and six are non-regional. The non-regional members and half the African members of the Bank Executive Board also serve on the Fund Board. By Fund Charter the division of voting power is split evenly between regional (50 percent) and non-regional members (50 percent), and issues are decided by a 75% majority. This means that though donors officially can control Fund lending, the current review and approval mechanism by essentially a single Executive Board does not encourage non-regional control save in exceptional circumstances.

Trends in Lending

Loan Terms

The Fund uses the per capita GNP to determine lending categories. (See Annex D for categories based on 1988 data.) These categories basically track with World Bank GNP per capita categories. The Categories range from A to C, that is, from low income to upper middle income categories in World Bank terminology.

As the economic and debt situation in African countries has deteriorated, GNP per capita, as well as credit worthiness, has also declined. This has put an increasing number of African countries on the "IDA-only" and "IDA-eligible" lists. This also means they are eligible for Fund, as opposed to Bank lending.

There are now only some five or six AfDB borrowers which qualify as Category C countries and borrow solely on hard terms.

In Category B, using 1988 data, there are nine countries, eight of which are IDA-eligible which qualifies them for blended (a mix of concessional and hard) lending terms. These eight countries are Botswana, Cameroon, Congo, Cote d'Ivoire, Egypt, Morocco, Swaziland and Zimbabwe. Hard loans to these eight countries totalled $1.9 for the three year period 1986-1989.

The economic and financial situations in some of these countries, notably Cote d'Ivoire and Cameroon -- which received nearly $580 million over the period, are deteriorating rapidly. In this next Fund replenishment period, the percentage of concessional lending in to these countries may have to be increased. If this is the case, it will put increased pressure on Fund resources.

The most significant change in lending status indicated by the 1988 data is by Nigeria where per capita income has fallen to $290. This moves Nigeria from Category B to Category A. Though the World Bank has not classified Nigeria as an IDA-only country, recent data indicate that its economic and social conditions are comparable to those in the poorest countries.

If Nigeria were to be funded solely from Fund resources, or even an increasing percent were to come from the Fund, it would have significant implications for Fund lending. Bank lending to Nigeria over the three year period 1986-1989 totalled $700 million.

In terms of Category A countries, a review of Bank lending indicates that for the past three years (1986-1989) lending on hard terms was provided to 10 IDA-only countries (Rwanda, Zaire, Ethiopia, Kenya, Uganda, Sudan, Mozambique, Zambia, Ghana, and Guinea). Total loans on hard terms to IDA-only countries for this period was nearly $836 million.

Trends in the other direction, that is soft loans to Category C countries represented only a small fraction of Fund resources (0.4 percent).

Allocation Criteria

The Fund's lending policy for AfDF V gave absolute priority to the poorest, IDA-only African countries.

Allocations among these countries are determined by a formula which emphasizes size of population and GNP per capita (80 percent) and tends to serve as an entitlement system for each Fund borrower. Each borrowing country knows the percentage of Fund resources to which it is entitled and effectively demands funding up to this level. (For allocation criteria, see Annex E).

Operationally, the result is that very few projects proposed by a country can be rejected as the resources are required to meet the defacto apportionment.

Project vs. Program Lending

has set

On the Bank side, as part of the mid-term review of the GCI, a limit of 25 percent on what is known as Policy-Based Lending (PBL). For the Fund, the Fifth Replenishment set a limit of PBL at 20 percent. Bank Management has proposed that this Fund PBL limit be raised to 25 percent for the next three years. These limits reflect donor discomfort at increased program lending.

The basic criticisms of increased PBL by the Bank group are: an overly broad definition which includes all quick-disbursing modalities including rehabilitation; lack of conditionality; and lack of analytical capability among Bank staff to ensure adequate appraisal and monitoring. Quick-disbursing loans which lack conditionality are judged to be detrimental both to the Bank's financial position as well as to the debt burden of the borrowing country. (These problems with AfDB/F program lending stand in contrast to the continent's clear need for resource flows which leverage and facilitate needed policy changes and which do not burden recipient governments with the implementation requirements of traditional projects or require scarce counterpart funding.)

The past five years show two clear trends: a move to more program lending; and decrease in the number of projects with a concomitant increase in the size of projects.

IV. Basic Weaknesses and Need for Reforms

A review of the reforms which the donors have supported over the past five replenishment periods (18 years) reveals a pattern of persistent weakness. This weakness springs largely from the political nature of the regional membership in the Bank coupled with the unwillingness or inability of donors to be more directive in their involvement with the Bank.

This attitude on the part of the donors seems to be changing. Many of the donors believe that now is the time for the Bank group to make the decisive move from a political institution which contributes to increased debt through badly prepared loans to a viable, mature financial institution which can promote sustainable development in Africa.

Donors believe that Africa needs help now. The most critical donors are threatening to take resources from the Fund and make them available to Africa through other channels which would use the resources more effectively.

Specific weaknesses which have been apparent in the Bank/Fund since the beginning include poor quality staff and a highly politicized lending decision-making system which results in poor quality loans.

In addition, as the only Africa-wide bank, Management seems to feel that the Bank group must be all things to all Africans. In spite of obvious administrative and technical shortcomings, the Bank group continues to take on new portfolios and issues. For example, at the recent Annual Meetings (May 1990), Management tried to authorize new initiatives in debt forgiveness, emergency response, and generalized institution building through-out Africa. The donors joined together to stop these initiatives.

This unusual cohesive action by donors reflects strong feelings that the Bank must consolidate its basic lending functions before expanding into new areas.

Quality of Lending

The proof of improved Bank/Fund operations is in the quality of its lending. An examination of the reasons for U.S. opposition in the Executive Board to Bank/Fund projects over the past three years indicates a pattern of inadequate design and appraisal. This does not differ substantially from findings from the earlier period 1983-87.

This trend is corroborated by a recent assessment of Bank agricultural lending by an independent consulting firm. According to the assessment, many of the agricultural projects included in the sample were not adequately appraised by the Bank but were largely requests accepted from borrowing countries with limited Bank scrutiny. The assessment found that appraisal missions were inordinately short and there was inadequate supervision.

During FY 1988 and FY 1989, the U.S. opposed some 27 Bank/Fund loans on developmental grounds (over one-third by value; 20 percent by number). This sample of negative votes underestimates the actual number of substandard loans as there is no record of compromises reached with bank management over U.S. project quality concerns. Nor is there a record of the number of times that the U.S. did not vote against loans for fear of diminishing the impact of opposition votes.

Loans were most often opposed for problems related to doubtful economic and financial viability. The main issue in each substandard project was project design. Judgements on the projects were that they were overly complicated and unworkable, inadequately defined and not ready for funding, or technically inappropriate. These design flaws lead to either overestimated benefits, on the one hand, to excessive costs, on the other. Other weakness included institutional weaknesses, lack of financial sustainability, doubtful counterpart funding, and/or poor cost recovery.

The second most important reason for opposition to loans was the lack of appropriate sector policies. The main weaknesses were lack of conditionality and poor pricing policies. A significant number of additional loans were opposed for environmental reasons.

Endemic Structural Weakness

The inability to improve project quality is caused by the following endemic structural problems in the Bank group.

The structure of the Fund allocation system keeps pressure on the Bank group to approve loans to meet countries' informal "quotas";

The make-up of the Bank's Executive Board of 12 regionals and 6 non-regionals (reflecting relative regional- non-regional voting power set in the charter) heavily weights voting power in the Bank in favor of the regionals. The politics are such that no regional Executive Director (E.D.) will vote against another regional's project. As for the Fund, even though non-regionals have over one third of the votes, and a 75% majority is needed for decisions, since there is no separate Fund Board meeting, the regionals effectively control the discussion for all Bank group funding. This joint board structure and the group dynamic it creates, make it difficult for non-regionals to vote against projects, since this vote is often portrayed as an insult to the country concerned.

To date, the non-regionals have not been willing to join forces to insist on financial or developmental quality control except in very critical cases. Reasons given for this behavior include: a) non-regionals financial, economic, or political reasons for supporting a country; and 2) an unwillingness to be perceived as confrontational or patronizing.

Quality of Personnel

Even if the political will existed among regional members to improve loan quality, to date, the Bank has not had the horses to provide the technical inputs to ensure this quality.

One example indicates the degree of the problem. As of June 1990, there were six economists servicing the 25 borrowing countries -- one-half of Bank/Fund borrowers -- in Department II. Other technical fields are equally poorly represented. Of necessity, appraisal missions are limited to two weeks or less because there simply is not enough technical staff to go around.

Repeated management reviews funded by various donors have highlighted the staffing inadequacies. A summary of personnel findings includes:

- grade creep based on longevity, not responsibility;
- over representation from French West African countries;
- lack of expatriate staff;
- over representation of administrative and support staff in relation to technically qualified staff;
- lack of delegation by top management;
- weak Vice Presidents relative to the President.

Recent Progress

There is a sense among longtime observers of operations at the Bank group that conditions are slowly improving. In fact, the general conclusion of the Mid-term Review of the Fifth Replenishment was that the letter of the conditions set by the donors for that three year period have largely been met. However, it is the spirit of the conditionality which is still missing.

These improvements are a result of a number of factors:

- donor pressure for improvement;
- increasing maturity among African institutions generally;
- new better trained, mid-level staff at the Bank; and
- a very recent new mandate by acclamation for President N'Diaye.

It must be noted, however, that the reforms are often on the drawing board rather than in implementation. The Bank is willing to espouse new policies and procedures but has difficulty making them operational.

Specific areas of improvement are summarized below.

The Bank has developed and/or adopted a number of fairly sound policy papers which can now provide the context for improved and more focussed lending. U.S. technicians have had major input in all of these sectoral and cross-sectoral papers. The policy papers which have been adopted or for which approval is pending include Environment, Agriculture, Women In Development and Private Sector.

In finance on the Bank side, Management is seeking to limit Bank exposure to interest rate and exchange rate fluctuations and repayment arrears and is developing a strategy for a sustainable lending level.

In staffing, the Bank/Fund has long been plagued with a disproportionate number of generalists, and administrative and support staff. As a result of donor pressure and N'Diaye's recent re-election by acclamation, Bank management is just now starting to address this problem.

In efforts to improve loan quality, again, due mostly to donor pressure -- with the U.S. playing the lead role -- the Bank/Fund has developed improved program documentation. (For a more detailed account of these reforms please see Annex F).

V. Defining the US Position

In formulating a U.S. position for the new replenishment for the AfDF, we must consider the following issues:

- U.S. policy and commitment to the IDA-only countries in Africa to which the Fund lends;
- The crisis conditions in Africa;
- The absorptive capacity of the countries, as well as the AfDF;
- The significance to the U.S. of the AfDF as an institution; and
- The effectiveness of the AfDF as a lending institutions

U.S. Policy Commitment to Africa:

The U.S. -- particularly the Congress, A.I.D., and the NGO community -- remains committed to providing development resources to Sub-sahara Africa. Though we can expect increasingly stiff competition for resources from other regions -- particularly Latin American and Eastern Europe -- it seems that African supporters on the Hill will continue to protect resources for the poorest countries in Sub-saharan Africa.

U.S. assistance to Africa takes the form of grant development assistance, food aid, debt relief, and active coordination with other multilateral institutions, bilateral donors and non-governmental groups.

Our bilateral assistance -- including development assistance and food aid -- to Sub-sahara Africa amounts to nearly $800 million a year and Congress is currently considering increasing this amount for FY 91.

As of 1990, we began to forgive U.S. bilateral debt in selected African countries which are implementing an IMF or World Bank reform program. To date 14 countries are eligible for debt relief which will amount to $852 million. We are hoping, beginning in 1992, to be able to forgive food aid debt as well.

Besides general support for multilateral institutions which lend to Africa, A.I.D. also coordinates with the World Bank group on the Special Program for Africa (SPA), to assist in filling resource gaps in Africa. In addition, we are contributing to the new Africa Capacity Building Initiative (ACBI) jointly sponsored by the World Bank, UNDP, and the AfDB.

Absorptive Capacity

Conditions in Africa have deteriorated at an alarming rate during the 1980's. In July, Robert McNamara reflected the international consensus of the Maastricht Conference on Africa when he said, " Africa is a continent in crisis ...and in some cases the decline has reached frightening proportions."

Debt has reached an unsustainable level in most Sub-saharan African countries; Economic conditions have not responded as quickly as expected to remedial programs; Population growth rates continue to surpass agricultural growth leading to deteriorating food security for growing numbers of people; Basic health and nutrition are also deteriorating for an increasing number of Africans; The recent World Bank Development Report indicates that both the percentage and absolute number of poor people is increasing.

According to A.I.D. and World Bank calculations, an increasing level of resources will be needed in Africa to reverse negative growth trends and to assist African nations in meeting the basic needs of its people. The World Bank Long Term Perspectives Study suggests a growth of donor assistance of four percent a year as a minimum required funding level.

A.I.D. believes that the most effective type of assistance at the present time is balance of payments support, conditioned on carefully selected policy reforms. A.I.D. generally provides support to sectoral reforms in countries in which the World Bank and IMF are providing support to macro-economic reform.

While acknowledging the need for resources in Africa, we believe that the absorptive capacity in the traditional project mode is limited. Although over the long term there is great need in Africa for traditional development projects, such as infrastructure development and social service upgrading, in the short run both local human resource contraints and ability to cover recurring costs impose serious contraints on the amount of project lending which can be used productively. As areas of AfDF project intervention are scattered and preparation for Bank/Fund loans is particularly weak, we are highly skeptical that providing an increased level of resources through this project modality now makes developmental sense.

Significance of African Bank Group:

From a political perspective, the African Development Bank group is one of the most popular institutions on the Hill. Selected congressional representatives and staff, have been strong supporters of the AfDB group since early in its development. It is not clear to what extent this support is a desire to help Africa generally, or targeted at providing assistance to the African Bank group as an institution.

There are other representatives of the USG -- most notably in the Department of Treasury and Office of Management and Budget -- who are critical of Bank group operations and remain less convinced that providing resources to the African Bank is an effective means of promoting development in Africa.

Recent Administrations have questioned the merit of the current U.S. position at the Bank as a major donor with limited influence over bank policy.

VI. Conclusions: Conditions for Replenishment

A.I.D. strongly believes that staff quality and program quality and impact remain the threshold issues which must be addressed by Bank management if the Bank group is to function as a viable lending and development institution. Both sides of this quality coin are needed; progress on one side is necessary but not sufficient without the other.

In order to ensure that progress continues on these two issues, we should have a two-pronged approach for the Sixth Replenishment. First, we must insist that the conditions agreed to during the last Replenishment negotiation are completed before January, 1991. Second, we must reach agreement on new, tougher conditions.

If Management is unable to meet our requirements for either set of conditions -- those already agreed or those newly proposed -- we must be willing to withhold resources.

As personnel issues were already at the heart of the last Replenishment, the issue of program quality must be hit very hard during this Sixth Replenishment negotiation. Bank management must hear very clearly that it is no longer business as usual but time for the Bank group to wake up and make a difference in Africa.

We must insist on implementation -- not paper victories -- in these areas.

Program Quality

In the Bank group, political considerations define the system to such an extent that systematic internal quality control on lending is virtually impossible. Given this state of affairs, it is extremely difficult to impose checks and balances externally. The conditions of past replenishment negotiations, particularly the most recent, reflect hard won measures to set up just such as system of an externally imposed system of program documentation in an attempt to establish checks and balances.

To date, though these documents are in place, they have not taken root, nor are they used as management tools to facilitate the process and improve lending quality. We must continue to insist on integrated implementation of these measures.

Meanwhile, the conditions for this Sixth replenishment are intended to go farther in cracking the political gridlock on quality control. We believe that the best means of doing this is setting stiff requirements for Fund allocations and for project review.

Staff Quality

Current personnel redeployment is to be completed by the end of the Fifth Replenishment period. Many of the major actions are underway and near completion. We expect a report by Bank Management at the September meeting on changes and their implications for improved operations.

Depending on the results of this redeployment, for the Sixth Replenishment, our main task will be to monitor progress. We must keep up the momentum by requiring a formal timetable for the balance of personnel actions.

Program Impact

Improved loan quality is the means of enhancing the long-term development impact of Bank lending. Long-term sustainable growth in Africa will depend on marshalling all of the resources available within the African continent itself, as well as support from the donor community.

Marshalling resources means, among other things, maintaining and protecting the environmental resource base, on which development will depend. It also means broadening participation in the development process. Groups which have been largely excluded up to now must be included. These include women, NGOs and other private sector groups, as well as the disadvantaged.

Since the last Replenishment was negotiated in 1988, U.S. legislation has strengthened policy directives to the Multilateral Financial Institutions (MFIs). Encouraged by the NGO lobby, the USG is demanding more attention to the environmental and poverty impact of Bank lending. Though targeted mainly at the World Bank, the other Regional Banks are also included in the legislative mandate. (For a copy of existing and pending Legislation on poverty and environment, please see Annex G).

This new legislation may present particular difficulties for the AfDB/F. Though willing to include poverty and environmental concerns in Bank policy statements, it currently lacks the ability -- and perhaps the political will -- to implement these policies in any meaningful way.

We must make sure that in our efforts to be responsive to U.S. legislation that we do not overload the limited administrative and technical capacity at the Bank. We do not want to send contradictory signals for expansion at the same time we are pressing the Bank group to consolidate.

Benchmarks of progress in the areas of environmental protection and poverty alleviation must be carefully tailored to the Bank's actual ability to implement them.

The U.S. has stressed environmental concerns and the need to involve women in the development process in earlier replenishment negotiations. We will encourage more staff to be hired with special expertise in these areas and continue to monitor Bank group efforts.

Specifically, for the Sixth Replenishment, we will push the Bank group to hire more environmentalists to undertake impact assessments of potentially harmful projects.

In response to U.S. legislation, for this Replenishment, we will require new movement by the Bank group on poverty alleviation. Bank management has yet to develop a comprehensive approach. Nor have they begun to re-shape the project portfolio to encompass poverty concerns.

It does not take sophisticated data collection and analysis to focus Fund lending on poverty alleviation in the IDA-only countries in Africa. It takes political will and coordination country-by-country with other institutions which are already making progress in this area. Specific benchmarks of achievement in this area are listed below.

Specific Conditionality for the Sixth Replenishment

As indicated above, the key conditions of the Sixth Replenishment are allocation, project quality, and project impact.

Allocation

The lynchpin of this negotiation must be the requirement that the Fund be used exclusively for performance-based programming to Category A (IDA-only) countries. In addition, in order to protect this concessional lending source, no Fund loans or grants should be made available to Category C countries.

Allocation: Fund Lending to IDA-only countries

We must insist as a condition of the Replenishment that Category A (IDA-only) countries receive only Fund resources from the Bank group. In addition, Bank lending to these countries must be prohibited.

As indicated earlier, a review of Bank lending over the period 1986-1989 indicates that hard loans totaling some $836 million were extended to Category A (IDA-only) countries. This must not be allowed to continue. By providing hard loans to these debt-distressed countries, the Bank group is contributing to their existing debt burden. In addition, the Bank is increasing its own financial exposure in countries which pose serious repayment risks.

The downside to this requirement that to stop lending on hard terms is that provision of this same level of resources by the Fund would have has significant budgetary implications.

It is because of the budget implications that we must also carefully consider the degree of concessional lending from the Fund for which Nigeria should be eligible. It seems clear that Nigeria requires some concessional resources given the deterioration of its economic conditions. However, the magnitude of resources which Nigeria could absorb is enormous. Bank lending to Nigeria over the past three years totaled more than $700 million. Clearly, provision of this level of resources from the Fund would have serious budgetary consequences.

If Bank lending to Category A countries and Nigeria were maintained at 1986-89 levels but taken from the Fund instead of the Bank, the additional Fund lending which would have been needed would total $1.5 billion.

The issue of Category B countries which on creditworthiness grounds should receive less Bank and more Fund lending also poses a potential problem in terms of Fund lending availabilities. These countries represent a three year total of Bank lending of $1.9 million. Determinations are needed for each of the eight countries on what the blending policy, that is the mix of hard and soft money, should be.

Bank Management must be required -- before the next session of replenishment negotiations -- to submit a policy paper which specifically addresses country-specific blending policies. This paper should include proposed treatment of Nigeria by the Bank group.

A.I.D. recommends that the U.S. form a working group of the several agencies concerned which would make recommendations for a U.S. position on terms of lending to Nigeria before the negotiation in September.

There are two direct implications of new concessional borrowers for the level of Fund replenishment, either: 1) donors provide more assistance to the Fund in order to cover these additional needs, or 2) Fund resources are not increased and competition for Fund borrowing increases. This latter approach will only lead to successful allocation decisions if performance-based programming can be guaranteed.

However, the donors cannot make final decisions on the appropriate level of funding until the issues of Nigeria and Category B countries are resolved.

Allocation: Performance Criteria

The cornerstone of this negotiation should be the insistence on performance-based programming in the Fund. Conversion to a performance-based system would be a radical departure from the politically-oriented allocation system which now exists. This allocation system is fundamental to Fund operations.

If the entitlement allocation system can be dismantled and replaced with one which is performance-based, many of the Bank group's quality control difficulties should be solved.

The drive to move money to meet defacto quotas is a fundamental cause for lack of adequate review and quality control. If this allocation system can be based on performance, the drive to approve all projects submitted can be stopped.

We propose providing Bank management with A.I.D., SPA, and IDA papers on lending allocations based on performance criteria. We will request that Bank Management use these as models in preparing their own approach.

This is the fundamental condition of the Replenishment. We can compromise over the other issues. This one should make or break the negotiations. If the U.S. compromises on this issue, Bank management will know that they can continue business as they have done over the past 18 years.

The U.S. must be willing to withhold funding over this issue.

The Bank group must develop and present an acceptable approach to performance-based allocations before the end of the negotiations.

Project Review: Pipeline Criteria

As summarized by the U.S. voting record presented above, Bank/Fund project quality continues to be substandard. Past Replenishments have required improved program documentation in an attempt to get at this quality issue.

We need to reinforce both existing and newly proposed efforts to strengthen quality control. One point in the project cycle which has not yet been hit by donor-supported quality control measures is the entry of new projects into the three-year project pipeline. Currently, there is no quality control of this pipeline -- either entry or fallout. Borrowing countries propose project loans and these are almost automatically included. They then remain in the pipeline until they are withdrawn by the member country or until they are approved.

For this Replenishment, we should insist on two changes in the means by which proposed projects become part of this pipeline. First, we will require that Management develop criteria for inclusion in the pipeline. This criteria should consist of such requirements as: inclusion of the area of activity as a priority in country strategy papers (EPCPs), appropriate technical studies identified, environmental impact analysis scheduled, if appropriate, beneficiary impact analysis scheduled, and preliminary results of quantitative analysis.

Secondly, we will require that a formal review process be established by Bank Management. Such reviews shall be held at periodic intervals to apply accepted review criteria to projects proposed for inclusion in the pipeline. No project shall be included unless it is formally reviewed and judged to meet the accepted criteria.

Project Review: Creation of Technical Committee

As part of this Sixth Replenishment we should require the establishment of a Technical Committee to review projects which are submitted to the Executive Board for approval and judged by the Board to have technical weaknesses.

The Technical committee should be composed of qualified Bank staff, preferably Directors of Regional Program Departments. Referral to committee will require a vote of at least four Executive Directors.

Projects referred to the committee can be delayed in the committee for up to three months. During that time, Technical Committee members can either address the technical problems identified by the Board themselves, or hire technical consultants to provide the needed additional analysis.

The possibility of referral to this committee will allow both regional and non-regional E.D.s to express technical reservations without being required to go on record as voting against a project.

Program Impact: Poverty Alleviation

Bank Management has promised an initial policy document on poverty by September 1990 and a Bank/Fund strategy by January 1992. We must ensure that this paper is developed, presented to the Board of Directors, and revised until it is accepted by the Board. However, we must also ensure that they move beyond paper promises.

We will encourage the AfDF to support initiatives -- such as development of country poverty strategies -- already begun by other development institutions.

Further, we will insist that the Fund open its strategy development and project identification process to local, non-governmental groups to ensure that wider views and broader accountability is incorporated into Fund lending.

In addition we will insist that Management provide analysis for each project on beneficiary impact.

Program Impact: Environmental Protection

In keeping with the Bank's own policy paper on environmental protection, we will continue to push the Bank/Fund to strengthen its capacity to protect the continent's natural resources.

The Bank Group should move immediately to adopt Environmental Impact Assessment Procedures consistent with guidelines published by the UNEP and the DAC. As a critical first step in the procedure, all projects in the pipeline should be subject to initial screening, identifying projects with potentially significant environmental impacts. For projects with significant impacts full Environmental Impact Assessments (EIAs) must be completed and be made available to the Bank directors. Given existing limited environmental technical capacity of Bank staff, the Bank should limit the number of environmentally problematic projects in its pipeline consistent with staff ability to carry out and monitor full EIAs.

To ensure that the Bank has the capacity to undertake these assessments, we will insist that additional environmental staff are hired directly by the Bank group by the end of the Replenishment negotiation. At this time we estimate that 10 additional environmental staff are likely to be needed.

Tougher Measures

The conditions of the Sixth Replenishment proposed above have been carefully selected to push the Bank group towards better program quality. They are tough but politically and administratively feasible.

We must not let the time pressures of a compressed negotiation schedule and the threat of a hiatus in Fund lending force us to back-off of what are reasonable conditions for a well-functioning institution.

Other more drastic measures remain options to be considered if Bank management is unwilling to agree to the proposed conditions. We should consider these more drastic measures rather than give in to mediocre performance.

Africa has very little time to turn the current crisis around. We must let Bank Management know that we would seriously consider implementing these more drastic measures if they do not begin to operate the Bank/Fund in a more objective and professional manner.

These more drastic measures might include:

Placement of high level US officials in key management positions to ensure that program quality control is actually implemented. This option has been exercised in other regional banks when it was perceived that lack of transparency was allowing bank management to make decisions which the U.S. -- as a major donor -- could not continue to support.

Restructuring of voting power to allow non-regionals more direct control over Bank/Fund policy and operations commensurate with their resource contributions. The demand for restructuring would probably be seen as unacceptably confrontational by regional members and would risk destruction of the Bank. However, it is a potential means of of forcing key reforms.

Creation of a minority voting block within the Executive Board. Such a mechanism was established at the Inter-American Development Bank (IDB) when it became clear there that regional members would not act professionally in reviewing projects. At the AfDB/F this would allow a minimal number of non-regionals to join together to stop the worst projects. Once again, this action would be seen as unacceptably confrontational by regional members but would force serious discussion of reform.

Withdrawal of major US support from the Fund and provision of the balance of resources to other institutions which could use the resources more effectively. Though confrontational, it is well within the U.S. right to take such a position. As the major donor, such a threat might lead to the desired result of implementation of reforms. However, choice of this option would necessitate convincing representatives on the Hill that Africa would be better off by channeling resources outside the African Development Bank.

IV. Determining the Level of the U.S. Contribution :

By developmental criteria, the need for assistance in Africa is clear; the effectiveness of the AfDB/F in providing this assistance is not. The U.S. commitment to Africa is clear. The decision on funding must be based on our judgement of the Bank group's capacity to use resources in Africa effectively.

Some observers believe that at least the Bank, and perhaps the Fund, is over-capitalized in view of the inability of to maintain quality control over lending.

Though the absolute demands for Fund resources have gone up as new countries become eligible, the U.S. must determine whether the level of Fund resources should in fact be increased in real terms given the continued lack of quality control exercised over Fund lending.

The U.S. delegation should enter the negotiations with a range of potential Replenishment levels resources which the U.S. is willing to support depending upon the results of the negotiations.

The potential Replenishment total could vary from a straight line of the last Replenishment level (a decrease in real terms) to an appreciable increase in real terms. However, the increase of 55 percent is far beyond the Fund's capacity to manage effectively.

Our decision must turn on Bank management willingness to revamp its allocation system. If our performance standards are met, we could allow the level to go up. If only minimal conditions are met, we should push to reduce the level in real terms. (For presentation of the U.S. contribution to the Fund under different assumptions see Annex J).

Contents of Annexes

Annex A.1: Bank Borrowing Countries 1986-1989

Annex A.1

Table 34
Regional Distribution of ADB Loan Approvals, 1986–89
(in millions UA)

Country	1986	%	1987	%	1988	%	1989	%
CENTRAL AFRICA	205.65	24.33	49.40	5.22	131.54	12.60	418.04	29.46
Angola	27.60		–		–		–	
Burundi	–		–		–		–	
Cameroon	69.04		–		–		122.77	
C. A. Republic	–		–		–		–	
Chad	–		–		–		–	
Congo	18.21		44.60		6.54		32.97	
Equatorial Guinea	–		–		–		–	
Gabon	–		–		45.00		44.04	
Rwanda	–		–		–		4.00	
S. T. & Principe	–		–		–		–	
Zaire	90.80		–		80.00		207.26	
Multinational	–		5.00		–		7.00	
EAST AFRICA	17.60	2.08	60.46	6.38	85.00	8.14	48.48	3.42
Comores	–		–		–		–	
Djibouti	–		–		–		–	
Ethiopia	17.60		17.08		80.00		–	
Kenya	–		–		–		43.02	
Madagascar	–		–		–		–	
Mauritius	–		36.52		5.00		–	
Seychelles	–		–		–		5.46	
Somalia	–		–		–		–	
Uganda	–		6.86		–		–	
Multinational	–		–		–		–	
NORTH AFRICA	398.95	47.19	444.25	46.92	377.90	36.19	623.43	43.93
Algeria	60.00		123.70		40.00		189.33	
Egypt	113.45		–		210.00		70.86	
Libya	–		–		–		–	
Mauritania	–		–		–		–	
Morocco	172.40		240.55		51.00		226.16	
Sudan	–		–		16.90		–	
Tunisia	53.10		80.00		60.00		137.08	
SOUTHERN AFRICA	31.20	3.69	85.37	9.02	44.33	4.25	34.10	2.40
Botswana	–		36.15		11.77		25.07	
Lesotho	–		–		–		–	
Malawi	–		–		–		–	
Mozambique	–		–		13.06		–	
Swaziland	6.20		–		–		3.22	
Tanzania	–		–		–		–	
Zambia	25.00		15.00		6.23		5.81	
Zimbabwe	–		34.22		13.27		–	
WEST AFRICA	192.01	22.71	307.33	32.46	405.38	38.82	295.07	20.79
Benin	–		–		–		–	
Burkina faso	–		–		–		–	
Cape Verde	–		–		–		–	
Cote d'Ivoire	–		20.62		239.29		52.67	
Gambia	–		–		–		–	
Ghana	35.00		–		106.14		–	
Guinea	–		23.71		–		13.22	
Guinea Bissau	–		–		–		–	
Liberia	–		–		–		–	
Mali	–		–		–		–	
Niger	–		–		–		–	
Nigeria @ 165.67	135.55		253.00		44.95		229.18	
Senegal	21.46		–		–		–	
Sierra Leone	–		–		–		–	
Togo	–		–		–		–	
Multinational	–		10.00		15.00		–	
Multiregional [a]	–		–		–		–	
Total	845.41	100.00	946.81	100.00	1044.15	100.00	1419.12	100.00

Note: Libya has never borrowed from the bank.
[a] Covering more than one region.

Table 35
ADB Cumulative Loan
(in millions UA)

Sector
Agriculture, including Agricultural Lines of Credit . .
Transport . . . .
Public Utilities . . . .
Industry, including Industrial Lines of Credit . . . .
Education & Health . . . .
Multisectoral [b] . . . .
Total

[a] The figures are net of cancella
[b] Prior to 1987 no loan was gra

ADB C
Appr
and S

Table 36 shows ADB reg
as at the end of 1989. Bo
the North Africa region rece
or 36.4 per cent of cumu
compared to 34.7 per cer
breakdown within this regic
ture, 31.9 per cent as agair
public utilities, 26.9 per
29.0 per cent in 1988; in
against 20.5 per cent in 19
transport 9.4 and 8.4 per ce
and 9.0 per cent respective
toral category 6.3 per cent.
toral loans in 1988.

Member countries in W
1,876.86 million, or 24.6 p
total, as compared to 25.5
regional total was sectoral
public utilities, 24.8 per cen
in 1988; agriculture, 20

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Annex A.2: Fund Borrowing Countries 1986-1989

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Annex A.2

Table 41
Regional Distribution of ADF Loan and Grant Approvals, 1986–89[a]
(in millions FUA)

Country	1986	%	1987	%	1988	%	1989	%
CENTRAL AFRICA	164.49	31.62	93.64	15.90	118.04	19.15	219.56	27.06
Angola	16.10		–		–		3.87	
Burundi	12.12		–		8.91		9.19	
Cameroon	18.48		0.49		7.33		11.45	
Central African Rep.	–		5.00		13.87		20.00	
Chad	31.16		32.64		23.53		42.39	
Congo	–		–		1.46		–	
Equatorial Guinea	4.43		6.72		–		–	
Gabon	–		–		–		–	
Rwanda	13.00		18.86		25.30		7.66	
Sao Tome & Principe	22.33		12.63		–		–	
Zaire	33.93		11.30		37.64		111.23	
Multinational	12.94		6.00		–		13.77	
EAST AFRICA	142.30	27.35	87.66	14.89	88.87	14.42	246.90	30.43
Comoros	–		–		–		–	
Djibouti	15.26		3.70		7.15		15.68	
Ethiopia	49.46		18.50		15.70		137.64	
Kenya	21.15		–		11.83		35.00	
Madagascar	23.75		10.60		13.66		44.65	
Mauritius	–		–		–		0.99	
Seychelles	–		–		–		1.20	
Somalia	–		25.97		–		8.58	
Uganda	32.68		28.89		40.53		3.16	
Multinational	–		–		–		–	
NORTH AFRICA	69.39	13.34	28.00	4.76	99.77	16.19	47.84	5.90
Algeria	–		–		–		0.66	
Egypt	–		–		–		31.46	
Libya	–		–		–		–	
Mauritania	12.04		11.15		33.77		13.82	
Morocco	0.85		–		–		–	
Sudan	56.50		16.85		66.00		1.90	
Tunisia	–		–		–		–	
SOUTHERN AFRICA	67.76	13.02	153.23	26.02	150.93	24.49	85.33	10.52
Botswana	–		27.82		7.65		5.00	
Lesotho	11.58		12.70		18.64		2.81	
Malawi	18.44		9.46		11.92		15.75	
Mozambique	3.31		–		78.94		10.00	
Swaziland	3.38		6.55		–		6.27	
Tanzania	1.30		96.04		13.78		14.99	
Zambia	20.10		0.66		20.00		25.45	
Zimbabwe	9.65		–		–		2.41	
Multinational	–		–		–		2.65	
WEST AFRICA	76.30	14.67	226.28	38.43	155.54	25.26	210.36	25.92
Benin	–		34.26		13.00		–	
Burkina Faso	7.75		–		15.40		36.88	
Cape Verde	6.70		7.78		11.10		0.28	
Cote d'Ivoire	–		–		–		8.15	
Gambia	14.50		6.10		7.38		18.04	
Ghana	–		20.20		14.19		–	
Guinea	6.65		20.83		–		53.02	
Guinea Bissau	–		25.87		8.67		44.07	
Liberia	–		–		–		2.45	
Mali	6.57		31.37		39.69		21.77	
Niger	5.00		3.00		8.10		20.00	
Nigeria	–		–		–		–	
Senegal	14.48		48.50		–		3.36	
Sierra Leone	–		–		–		1.18	
Togo	14.65		–		15.00		–	
Multinational	–		28.37		23.01		1.16	
MULTIREGIONAL[b]	–	–	–	–	3.23	0.52	1.46	0.18
Total	520.24	100.00	588.81	100.00	616.39	100.00	811.45	100.00

[a] Grants were approved for the first time in 1988.
[b] Multinational loans covering more than one region.

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The regional distrib
1989 grant approval
31.4 per cent compa
Central Africa 23.2 p
cent in 1988; East Af
7.9 per cent in 1988
cent compared to 5.3
multinational institutio
2.0 per cent compare

Cumula
Grant Ap

At the end of 1989,
approvals amounted to
port of 712 loans an
4,468.46 million in sup
the end of 1988. In te
culture received th
1,888.93 million or
38.4 per cent in 1988
next with FUA 1,125.

Table 42
ADF Cumulative Lo
(in millions FUA)

Sector
Agriculture, including Agricultural Lines of Credit
Transport . . . .
Public Utilities . . . .
Industry, including Industrial Lines of Credit .
Education & Health . . . . .
Multisector . . . .
Total . . . .

[a] The figures in brackets ir
cumulative totals include (

ANNEX C.1: Bank Capital Subscriptions and Voting Shares

C.1

AFRICAN DEV. BANK/BANQUE AFRICAINE DE DEV.
STATEMENT OF VOTING POWERS/ETAT DES VOTES
AS AT/AU 30/06/1990

	COUNTRY/PAYS	VOTES VOIX	VOTING POWERS VOIX
1	ALGERIA/ALGERIE	54,707	3.727
2	ANGOLA	21,044	1.434
3	BENIN	1,457	0.099
4	BOTSWANA	16,182	1.102
5	BURKINA FASO	3,762	0.256
6	BURUNDI	6,520	0.444
7	CAMEROON/CAMEROUN	22,917	1.561
8	CAPE VERDE/CAP VERT	2,136	0.145
9	CENT.AFR.REP/R.C.A	1,031	0.070
10	CHAD/TCHAD	1,759	0.120
11	COMOROS/COMORES	847	0.058
12	CONGO	9,294	0.633
13	COTE D'IVOIRE	42,200	2.875
14	DJIBOUTI	1,177	0.080
15	EGYPT/EGYPTE	92,216	6.282
16	EQ. GUINEA/GUINEE EQ.	832	0.057
17	ETHIOPIA/ETHIOPIE	29,226	1.991
18	GABON	6,117	0.417
19	GAMBIA/GAMBIE	1,392	0.095
20	GHANA	35,688	2.431
21	GUINEA/GUINEE BISSAU	925	0.063
22	GUINEA/GUINEE	8,243	0.562
23	KENYA	17,923	1.221
24	LESOTHO	1,529	0.104
25	LIBERIA	12,024	0.819
26	LIBYA/LIBYE	66,424	4.525
27	MADAGASCAR	12,171	0.829
28	MALAWI	7,096	0.483
29	MALI	4,782	0.326
30	MAURITANIA/MAURITANIE	1,102	0.075
31	MAURITIUS/MAURICE	12,218	0.832
32	MOROCCO/MAROC	57,541	3.920
33	MOZAMBIQUE	11,833	0.806
34	NIGER	3,388	0.231
35	NIGERIA	159,604	10.872
36	RWANDA	1,617	0.110
37	SAO TOME & PRINCIPE	1,106	0.075
38	SENEGAL	18,311	1.247
39	SEYCHELLES	1,318	0.090
40	SIERRA LEONE	2,489	0.170
41	SOMALIA/SOMALIE	5,456	0.372
42	SUDAN/SOUDAN	6,908	0.471
43	SWAZILAND	6,569	0.447
44	TANZANIA/TANZANIE	5,648	0.385
45	TOGO	5,676	0.387
46	TUNISIA/TUNISIE	25,386	1.729
47	UGANDA/OUGANDA	3,518	0.240
48	ZAIRE	65,135	4.437
49	ZAMBIA/ZAMBIE	13,438	0.915
50	ZIMBABWE	42,260	2.879
	TOTAL REGIONALS	932,143	63.499

DISTRIBUTION OF VOTING POWERS BY DIRECTOR
REPARTITION DES VOIX PAR ADMINISTRATEUR

DIRECTOR/ADMINISTRATEUR *ALTERNATE/SUPPLEANT	COUNTRY/PAYS		
M. ABOULFADL Mohamed	MOROCCO/MAROC	3.920	
*M. BOUALLAGUI Moncef	TUNISIA/TUNISIE	1.729	
	TOGO	0.387	6.036
Mr. TARPEH Wilson K.	LIBERIA	0.819	
*Mr. KOROMA Sempha J.	SIERRA LEONE	0.170	
	GHANA	2.431	
	GAMBIA/GAMBIE	0.095	3.515
Mr. GASPAR-MARTINS Ismael	ANGOLA	1.434	
*Mr. MATAMBO Kenneth O.	BOTSWANA	1.102	
	MOZAMBIQUE	0.806	
	ZIMBABWE	2.879	6.221
Mr. TERREFE Getahun	ETHIOPIA/ETHIOPIE	1.991	
*Mr. OMORI S.	UGANDA/OUGANDA	0.240	
	KENYA	1.221	
	TANZANIA/TANZANIE	0.385	
	RWANDA	0.110	
	SEYCHELLES	0.090	4.036
Mr. KORAIEM Samir	EGYPT/EGYPTE	6.282	
*M. HACHI Ahmed Abdellahi	DJIBOUTI	0.080	6.362
Mr. MAFONDO Harry M.	MALAWI	0.483	
	LESOTHO	0.104	
*Mr. MANNA Dipnarain	MAURITIUS/MAURICE	0.832	
	ZAMBIA/ZAMBIE	0.915	
	SWAZILAND	0.447	2.783
M. MOUSSA B. Pierre	CHAD/TCHAD	0.120	
	CAPE VERDE/CAP VERT	0.145	
*M. Citoyen MBOKELI M.	ZAIRE	4.437	
	GUINEA/GUINEE	0.562	5.264
M. DOSSO Lancina	COTE D'IVOIRE	2.875	
	BENIN	0.099	
	CONGO	0.633	
	EQ. GUINEA/GUINEE EQ.	0.057	
	NIGER	0.231	
*M. GOUNGOUNGA Cyrill	BURKINA FASO	0.256	
	CAMEROON/CAMEROUN	1.561	5.712
Mr. SHERIF Muftah Ali	LIBYA/LIBYE	4.525	
*M. OULD DEIDA M. L.	MAURITANIA/MAURITANIE	0.075	
	SOMALIA/SOMALIE	0.372	
	SUDAN/SOUDAN	0.471	5.442

ANNEX C.2: Fund Capital Subscriptions and Voting Shares

AFRICAN DEVELOPMENT FUND/FONDS AFRICAIN DE DEVELOPPEMENT
BOARD OF DIRECTORS/CONSEIL D'ADMINISTRATION
LIST AND VOTING POWERS OF EXECUTIVE DIRECTORS
LISTE ET POUVOIRS DE VOTE DES ADMINISTRATEURS
AS AT/AU 30/06/1990

ADMINISTRATEURS	PARTICIPANTS	VOTES	
MR. ABOULFADL M.	ADB/BAD	8.33	
MR. TERREFE Getahun	ADB/BAD	8.34	
MR. DOSSO Lacina	ADB/BAD	8.33	
MR. GASPAR-MARTINS I.	ADB/BAD	8.33	
MR. KORAIEM S.S.	ADB/BAD	8.33	
MR. TONWE B. O.	ADB/BAD	8.34	
			50.00
MR. BELANGER Marcel D.	CANADA	5.00	
	YUGOSLAVIA/YOUGOSLAVIE	0.30	
	KOREA/COREE	0.43	
	KUWAIT/KOWEIT	0.53	
:MR. ALVAREZ RUIZ Luis	SPAIN/ESPAGNE	0.67	
			6.93
MR. TSUKAGOSHI Yasusuke	JAPAN/JAPON	7.20	
	SAUDI ARABIA/ARABIE SAOUDITE	1.12	
	ARGENTINA/ARGENTINE	0.09	
	AUSTRIA/AUTRICHE	0.63	
:MR. CAVALCANTE Ronaldo	BRAZIL/BRESIL	0.62	
			9.67
MR. CHRISTENSEN Kristen	NORWAY/NORVEGE	1.89	
	DENMARK/DANEMARK	1.60	
:MR. LEBET J.H.	SWITZERLAND/SUISSE	2.03	
	FINLAND/FINLANDE	0.66	
	SWEDEN/SUEDE	2.56	
	INDIA/INDE	0.35	
			9.08
MR. NEDELCOVYCH M.S.	U.S.A./ETATS UNIS D'AMERIQUE	6.89	
			6.89
MR. DI VEGLIA C.	ITALY/ITALIE	3.87	
:MR. UHEL Pierre	FRANCE	3.82	
	BELGIUM/BELGIQUE	0.87	
			8.55
MR. SUTHERLAND A.J.	UNITED KINGDOM/ROYAUME UNI	1.89	
:MR. HANSEN P.J.	NETHERLANDS/PAYS-BAS	1.28	
	PORTUGAL	0.35	
	GERMANY FED.REP./R.F.A.	4.66	
			8.18
	UNITED ARAB EMIRATES/EMIRATS ARABE	0.09	
	CHINA/CHINE	0.61	
			0.70
	GRAND TOTAL		100.00

ANNEX E: Bank Allocation Criteria

The following is from ADF-V Lending Policy, August 1988, p. 6:

"The allocation of resources to each category of eligible member countries will be on the basis of the following weights:

(a) per capita GNP	(35%)
(b) the size of the population	(45%)
(c) the presence of the Fund in	(10%)
(d) unfavorable geographic situation	(5%)
(e) allocation for special situation	(5%)

However, country performance on economic policies will be among factors considered by the Fund in its ongoing review of lending priorities within and among countries."

ANNEX F: REFORMS IN PROGRESS

The following is a summary of the reforms agreed to as part of the conditions of the Fifth Replenishment and the current status of implementation.

1) Human Resource Development

The reforms recommended by the U.S.-funded management study and agreed to by Bank Management include the following components:

- Early retirements; STATUS: 54 employees have received notification of forced early retirement;
- Recruitment of technical people; STATUS: Approval has been given to hire 100 technical professionals; These positions have been advertised world-wide. To date some 25,000 resumes have been received,
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ANNEX G: U.S. Legislation

ANNEX H: Monitoring Conditions Already Accepted

Conditions to be Completed Before the new Replenishment (January 1991)

The U.S. must require that selected conditions of Fifth Replenishment be implemented by the time of the September meetings. The remainder must be accomplished before the beginning of January 1991.

Improvements in program and project quality must be developed and operating. These include: improved program documentation in place by September 1990; improvements in the Bank group's capacity to assess environmental impacts must be in place by end 1990; provision of a comprehensive plan for upcoming Sector Policy Papers must be submitted by end 1990; proposal for quantitative criteria for project appraisal/review must be submitted by end 1990.

Human Resource Management reforms must be completed by end 1990. This means that the ongoing redeployment plan is fully implemented by end 1990 and a status report and timetable of remaining actions submitted to Board by mid- September 1990 for review.

Specific Benchmarks follow below:

I. PROGRAM QUALITY AND IMPACT

A. Quarterly Operational Summaries (QOS)
- Must contain all lending proposals put to the Board;
- Submitted on a strict time table as agreed by the Board (21 days after the end of the quarter);
- Effective July 1990, any project which has not appeared in QOS will not be considered by the Board.
- Projects no longer under consideration will be deleted form the QOS.

B. Project Briefs
- Submitted prior to appraisal missions (3-4 months prior to Board review)
- Missions should not go out if Brief is not presented to Board.
  Benchmark: June 1991.

C. EPCPs
- Completed for all borrowers by the end 1990.

- Strengthen internal procedures to incorporate findings of EPCPs into programming decisions.
  Benchmark: Projects which do not link directly and substantively to EPCPs will be refused review by the Executive Board beginning June 1992.

- Bank Management should prepare and submit guidelines for preparations of EPCPs.
  Benchmark: Guidelines submitted to Board by June 1991.

D. Appraisal Missions/Reports
- Terms of reference conveyed to Board prior to Mission departure;

- Project briefs conveyed to Board prior to departure on Mission.
  Benchmark: After June 1991, Appraisal Missions will not be allowed to go out unless Project Briefs are recieved by Board prior to departure.

- Take account of evaluations and have clear linkage to EPCPs and Sector Policy Papers.
  Benchmark: June 1992

E. Environmental Impacts
- Environmental Assessment criteria by sector be developed and submitted to Executive Board by June 1991.
- Five environmentalists hired by Jan. 1991.

F. Sector Policy Papers
- Work program for further preparation and revision should be submitted to the Board.

II. Human Resource Management
- Redeployment fully implemented by end 1990;
- Timetable for implementation and progress reports.

ANNEX I: New Conditions for the Sixth Replenishment

ALLOCATION:

Lending Terms:

As of June 1991, no Bank resources to Category A (IDA-only) and no Fund resources to Category C. (Bank resources to Cat. A [1986-9] were $836 million; Fund resources to Cat. C were less than $100,000.))

Country eligibility criteria:

Bank management will develop and submit to board a policy paper on revised allocation criteria which include numerical weights for performance criteria -- economic and poverty alleviation.

Bank management has two basic options: either to weight these elements at least 80 percent in the allocation formula or to define a minimal performance threshold and provide Fund resources only to Cat. A countries which meet this performance test.

Benchmark: Policy Paper submitted to Board and approved prior to finalization of Replenishment agreement.
Benchmark: Criteria in implementation by June 1992.

PROGRAM QUALITY:

Pipeline eligibility criteria:
As part of ongoing effort to improve loan quality, Management will develop and submit to Board for review eligibility criteria for inclusion of projects in the pipeline, as well as, plan for formal review process.

Benchmark: Eligibility criteria submitted to Board by Jan. 1991.
Benchmark: Criteria in use for all projects by June 1991.

Creation of Technical Committee:
Bank management will create a Technical Review Committee comprised of Bank Regional Directors. Projects which are found to be technically flawed by a vote of four E.D.'s during Board review will be sent to this committee for technical revision for three months.

Benchmark: Management plan for Technical committee developed and approved by Board prior to finalization of Replenishment aggreement.
Benchmark: Technical committee constituted with Regional Directors and Executive Board members by March 1991.
Benchmark: Projects reviewed by criteria and sent to committee by Juner 1991.

PROGRAM IMPACT:

Increased focus on Poverty Alleviation Issues:

Bank Management will develop and submit Fund strategy for poverty alleviation in African countries. This document should include the following: how the Bank will work with other institutions to assist host countries in developing country poverty strategies; means by which the Bank will increase participation in country strategies development and project identification; means by which the Fund will ensure that the poor members of society benefit from Fund projects.

Benchmark: Management will submit paper by June 1991.
Benchmark: Consultation with local groups, private sector, etc. included in Terms of Reference for all appraisal teams Sept 1991.
Benchmark: All projects reviewed for analysis of beneficiary impact June 1992.
Benchmark: Poverty alleviation analysis included in EPCPs and as part of performance criteria for Fund allocation Sept 1991.

ANNEX J: Sixth Replenishment Levels Under Differing Assumptions

Contents of Annexes

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Annex A.1: Bank Borrowing Countries 1986-1989

Annex A.2: Fund Borrowing Countries 1986-1989

Annex B: World Bank Country Categories Ranked by Per Capita Income

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ANNEX C.1: Bank Capital Subscriptions and Voting Shares

ANNEX C.2: Fund Capital Subscriptions and Voting Shares

ANNEX D: Bank Group Lending Categories

The AfDB/F Category A corresponds to the World Bank's low income/IDA-only group;

Category B largely corresponds to the World Bank's lower middle income group consisting largely of IDA-eligible countries which generally receive a blend of hard and soft lending;

AfDB/F Category C corresponds to the World Bank's lower middle and upper middle income group of countries which tend to borrow exclusively on hard terms.

ANNEX E: Bank Allocation Criteria

The following is from ADF-V Lending Policy, August 1988, p. 6:

"The allocation of resources to each category of eligible member countries will be on the basis of the following weights:

(a) per capita GNP (35%)
(b) the size of the population (45%)
(c) the presence of the Fund in (10%)
(d) unfavorable geographic situation (5%)
(e) allocation for special situation (5%)

However, country performance on economic policies will be among factors considered by the Fund in its ongoing review of lending priorities within and among countries."

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ANNEX F: REFORMS IN PROGRESS

The following is a summary of the reforms agreed to as part of the conditions of the Fifth Replenishment and the current status of implementation.

1) Human Resource Development

The reforms recommended by the U.S.-funded management study and agreed to by Bank Management include the following components:

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