

**CHAIR'S SUMMARY**  
**Asian Development Fund X Third Donors' Meeting**  
**Manila, Philippines, 13–14 March 2008**

1. Asian Development Fund (ADF) deputies, representatives from ADF recipient countries, Asian Development Bank (ADB) Management and staff, observers from other international development institutions and ADB board members met in Manila, Philippines, on 13–14 March 2008 for the third meeting of the ADF X replenishment. In his opening remarks, President Kuroda urged participants to conclude ADF X negotiations in the fourth meeting to be held in Madrid and to discuss thoroughly all outstanding issues during this meeting.

2. Many donors noted progress in institutional reforms but, at the same time, emphasized the need and urgency to further improve ADB's effectiveness. They especially stressed the need to complete the reform agenda agreed in ADF IX, further mainstream managing for development results, strengthen human resource management, and ensure the independence of the Operations Evaluation Department (OED). Donors urged further discussion to reach agreement on such reforms as part of the replenishment negotiations. The President reaffirmed his commitment to managing for development results. He also informed donors that the terms of reference for the human resources strategy review and the review of OED would be shared with the Board before ADB's Annual Meeting in Madrid. As suggested by donors, ADB will provide a time-bound action plan for the various initiatives to deliver ADF X effectively before the next donors' meeting. Most donors reconfirmed the need for linkage to and consistency with common elements of the new long-term strategic framework (LTSF).

3. In the discussion of ADB's results framework there was broad support for the approach of using a single, institution-wide results framework. However, donors emphasized the need to separately measure and report elements specific to ADF within that framework. Many noted that the results framework attached to the new LTSF was more developed than the one circulated for the ADF meeting. Most participants supported the proposal to monitor progress under the framework through the annual Development Effectiveness Review (DER), while some also pointed out that donors need to be clear how they will use this tool to monitor the performance and impact of ADF operations. Management and donors agreed that the DER should be submitted to the Board and made public given its importance. Regarding the results framework itself, many participants called for ADB to provide a stronger linkage between level 2 (ADB's Contribution to Country Outcomes: Key Outputs) indicators and level 1 (Asia-Pacific Outcomes) indicators. Some participants suggested changes to the detailed indicators especially in the areas of gender, environment, carbon dioxide emissions, commitments under the Paris Declaration, and the reform agenda. ADB will provide a revised results framework—with specific indicators, baseline figures, and targets focusing on ADF operations—before the fourth ADF X meeting.

4. In the discussion paper "Allocation of ADF X", ADB put forward several proposals for donors' consideration. On the recommendations for country allocations, broad agreement was reached on (i) maintaining the Pacific pool at 4.5% of resources distributed under the performance-based allocation (PBA) system, (ii) the mode of postconflict support to Afghanistan, and (iii) providing Timor-Leste exceptional access to ADF grants. Most donors agreed on changing the portfolio performance measure within the PBA system, but some requested a detailed proposal on how this measure would be changed. Many donors supported the 18% cap on blend country allocations, with many others arguing the cap should be lowered to 15%. While supporting the goal of redirecting more resources to the poorest ADF-only countries, some participants expressed concern about the effect that caps would have on the

performance incentives of the large blend countries and suggested considering alternative approaches prior to the Madrid meeting. While Nauru and Palau's access to ADF resources subject to Board approval of the review of the graduation policy was generally supported, a few donors noted that resources should only be provided to Nauru after its arrears are cleared and that Palau's per capita national income should be monitored.

5. Many donors supported earmarking 12% of the ADF program for subregional projects, but some mentioned continuing concerns over the effectiveness and impact of the program and the ADB's ability to scale up these projects. Some donors indicated that they could support earmarking of up to 10%, while others felt that 12% was too low. However, there was broad support for harmonizing the country ownership criteria with that of International Development Association and African Development Fund. Most donors supported allocating 3% of the overall replenishment to the technical assistance special fund for the benefit of ADF-eligible countries, including regional technical assistance. Some donors asked about specific aspects of the arrangements for the provision of technical assistance.

6. Donors discussed the range of SDR7.0 billion to SDR7.4 billion for the overall replenishment size, though no consensus was reached. Some participants stressed the importance of concluding the replenishment in the forthcoming meeting in Madrid. Many donors supported the proposed range, including some who voiced support for the demand-based case. Many others said that they were not yet ready to indicate their position on the size. It was noted that agreement on the results framework and other reforms to help strengthen ADB's effectiveness will be key determinants of the size of donors' individual pledges. Some donors asked ADB to explain clearly its plans to strengthen its capacity to deliver the proposed level of assistance, including implications for administrative resources. Some non-regional donors called for equal burden sharing between regional and non-regional donors, particularly in light of the improving economic outlook of some emerging donors. In response, a few regional donors emphasized that the major donors should fulfill their commitments to help out the poorest made by developed countries in other forums. Some donors agreed to the proposed level of excess liquidity drawdown for ADF X, equivalent to 75% of the available amount, while some others recommended drawing down the full amount. Most donors agreed to the nine-year encashment schedule and to use the composite SDR discount rate of 3.6% for the accelerated encashment of ADF X donor contributions.

7. Participants reviewed an early draft of the Donors' Report. Management appreciated the detailed feedback provided and will circulate a revised draft Donors' Report to donors by 31 March 2008. The Chair urged participants to provide comments on the revised report by 7 April 2008 so that an updated version can be provided to donors on 17 April 2008.

8. The fourth ADF X replenishment meeting will be held in Madrid, Spain, on 1–2 May 2008.