

# AFRICAN DEVELOPMENT FUND

## BOARD OF GOVERNORS

### Resolution F/BG/2017/[ ]

Adopted by correspondence on [ ] 2017

#### The Fourteenth General Replenishment of the Resources of the African Development Fund

#### THE BOARD OF GOVERNORS,

#### HAVING REGARD TO:

- (i) The relevant Articles of the Agreement (the “Agreement”) Establishing the African Development Fund (the “Fund”), in particular Articles 2 (Purpose), 4 (Resources), 7 (Additional Subscriptions by State Participants), 8 (Other Resources), 16 (Form and Terms of Financing), 19 (Technical Assistance), 23 (Board of Governors: Powers) and 26 (Board of Directors: Functions);
- (ii) The Report of the Board of Directors dated [ ] (**the “Report”**) on the implementation of Resolution F/BG/2016/01 authorizing the commencement of consultations for the fourteenth general replenishment of the resources of the Fund (**the “Fourteenth Replenishment”**), and in particular the recommendations of the Board of Directors contained in that Report;

#### CONSIDERING THAT:

- (i) In the Report, the Board of Directors, having regard to the needs and development requirements of the low income regional members of the African Development Bank (the “Bank”), has recommended that the Fund should undertake a substantial replenishment of its resources to finance the Fund’s lending programme for the three year period commencing 1 January 2017;
- (ii) The State participants and other Donors listed in Annex 1 hereto attached, have indicated their intention to subscribe to the Fourteenth Replenishment in accordance with the arrangements, terms and conditions set forth in this Resolution, it being understood that no commitment in that regard can be made by the State participants and Donors until all their internal approvals have been obtained;
- (iii) The State participants and other Donors listed in Annex 2 hereto attached, have indicated their intention to provide Concessional Donor Loans and Bridge Loans in

accordance with the arrangements, terms and conditions set forth in the Report and this Resolution, it being understood that no commitment in that regard can be made by the State participants and Donors until all their internal approvals have been obtained;

**CONVINCED THAT:**

- (i) There may arise a need for a portion of the amount of subscriptions made hereunder to be provided to the Fund as advance subscriptions that may be used for operational commitments before the entry into effect of the Fourteenth Replenishment;
- (ii) It is desirable to authorize the Fund to provide financing in the form of grants in addition to loans in the circumstances referred to in the Report, and according to procedures to be determined by the Board of Directors of the Fund;
- (iii) It is desirable to encourage countries that have the economic capacity to be, but are not now, State participants, to participate in the Fourteenth Replenishment; and
- (iv) It is desirable to administer any remaining funds from previous replenishments during the Fourteenth Replenishment;

**RECALLING** the terms of Board of Governors' Resolution F/BG/2006/12 concerning the Multilateral Debt Relief Initiative ("MDRI"), and noting the updated cost estimates and the compensation amounts payable by donors during the Fourteenth Replenishment disbursement period;

**HEREBY ACCEPTS AND ENDORSES** the final Report of the Consultative Meetings on the Fourteenth Replenishment (the "ADF-14 Report");

**ADOPTS** its conclusions and recommendations; and therefore,

**DECIDES AS FOLLOWS:**

**1. Increase in the Resources of the Fund**

- (a) **Authorization**. The Fund is authorized to proceed with the Fourteenth Replenishment for a three-year period commencing **1 January 2017**.
- (b) **Subscriptions by State Participants and Donors**. The Fund is authorized to accept, from each of the State participants and Donors listed in Annex 1 to this Resolution, a Subscription in the amount specified for each such State participant and Donor in the applicable column of Annex 1.

- (c) **Additional Subscriptions and Contributions.** Additional subscriptions and other resources in excess of the amounts indicated in Annex 1 hereto, may be accepted by the Fund with the approval of the Board of Directors and may be counted as part of the resources for the Fourteenth Replenishment at the option of the State participant or Donor concerned.
- (d) **Concessional Donor Loans and Bridge Loans.** Concessional Donor Loans or Bridge Loans may be accepted by the Fund with the approval of the Board of Directors and the grant element of such loans will be counted as part of the State participant's or Donor's subscriptions and contributions hereunder.
- (e) **Relation to Future Replenishments.** No State participant or Donor making an additional subscription pursuant to sub-paragraph 1(c) shall be obliged, on the occasion of a future replenishment of the Fund, to increase its subscription solely by reason of having made such an additional Subscription under this Resolution.

*Paragraph 1(a) of this draft Resolution authorizes the Fund to proceed with the Fourteenth Replenishment. The proposal contained in this draft Resolution is to fix the Replenishment Period for three years commencing January 1, 2017. Provisions are made in Paragraph 1(c) of this Draft Resolution for the acceptance by the Fund of subscriptions and other resources in excess of the subscription amounts pledged by the State participants and Donors (which would be set out in Annex 1 to this Resolution), subject to approval by the Board of Directors. Paragraph 1(d) permits the Fund to enter into Concessional Donor Loans and Bridge Loans with State participants or Donors, subject to approval by the Board of Directors.*

## **2. Instruments of Subscription by State Participants and Donors**

- (a) **General Clause.** To make a subscription hereunder, each State participant or Donor shall deposit with the Fund an Instrument of Subscription formally confirming its intention to subscribe the amount specified in Annex 1 hereto, denominated in terms of the unit of obligation relating to the State participant or Donor, as determined pursuant to paragraph 3 hereof.
- (b) **Unqualified Subscription.** Except as specified in sub-paragraph (c) of this paragraph, such Instrument of Subscription shall constitute an unqualified commitment by the concerned State participant or Donor to pay the amount subscribed in the manner, and on the terms, set forth or contemplated by this Resolution. For the purpose of this Resolution, such subscription shall be referred to as an “**Unqualified Subscription**”.
- (c) **Qualified Subscription.** As an exceptional case, where an unqualified commitment cannot be given by a State participant or Donor due to its legislative practice, the Fund may accept from that State participant or Donor an Instrument of Subscription which expressly contains the qualification that payment of some or all instalments of its subscription is subject to subsequent budgetary appropriation. Such an

Instrument of Subscription shall, however, include an undertaking by the State participant or Donor to exercise its best efforts to: (a) obtain such appropriation for the full amount specified in paragraphs 6(b) and 8(b) of this Resolution, by the payment dates indicated in paragraph 6 hereof; and (b) to notify the Fund as soon as the appropriation relative to each instalment is obtained. For the purpose of this Resolution, a subscription in this form shall be referred to as a “**Qualified Subscription**”, but shall be deemed to be unqualified to the extent that appropriation has been obtained.

### **3. Denomination of Subscriptions**

State participants and Donors shall denominate their subscriptions in Special Drawing Rights of the International Monetary Fund (SDRs), in a currency used for the valuation of the SDR, or in the currency of the State participant or Donor, if such currency is freely convertible (the “unit of obligation”) and the economy of the State participant or Donor did not experience, in the period from **1 January 2014 to 31 December 2016**, a rate of inflation in excess of [ten per cent (10%)] per annum on average, as determined by the Fund. State participants and Donors that are in a position to do so are invited to subscribe to the Fourteenth Replenishment in SDR.

*The proposal contained in Paragraph 3 is for Subscriptions to be denominated in: (i) SDRs; or (ii) a currency used for the valuation of the SDR – which are currently the United States Dollar, Pound Sterling, Japanese Yen, Euro and Renminbi; or (iii) the currency of the State participant or Donor if the currency is freely convertible and provided the economy of the State participant or Donor has not experienced a rate of inflation in excess of 10% p.a. on average, as determined by the Fund, during the specified period agreed by the Deputies.*

### **4. Effective Date**

The Fourteenth Replenishment shall come into effect on the date when State participants and Donors shall have deposited with the Fund Instruments of Subscription representing an aggregate amount equivalent to at least thirty per cent (**30%**) of the **total intended subscriptions set forth in Annex 1 to this Resolution** (hereinafter referred to as “the Effective Date”), provided that this date shall not be later than **31 March 2017**.

### **5. Additional Contribution to the Private Sector Credit Enhancement Facility**

In recognition of the role that the private sector plays in the development of the economies of the low income regional member countries of the African Development Bank, an amount equivalent to [UA 200 million] of the total available resources under the Fourteenth Replenishment shall be set aside as an additional contribution to the Private Sector Credit Enhancement Facility.

### **6. Payment of Subscriptions**

(a) **Payment Dates.** Except as otherwise provided in this Resolution each subscription made under this Resolution shall be paid in three equal annual instalments in SDRs, currencies used for the valuation of the SDR or in freely convertible currencies

acceptable to the Fund. Subject to paragraphs 4 and 8 hereof and unless otherwise determined by the Board of Directors, the first of such instalments shall be paid on or before **15 January 2017**, or not later than 30 days after the Effective Date; with the second and third instalments falling due, respectively, not later than **15 January 2018** and **15 January 2019**. As an exceptional case, where a State participant or Donor cannot, due to its legislative procedures, make payment in respect of the first instalment by the date determined pursuant to the second sentence of this subparagraph, such instalment shall be paid not later than 30 days after the date of the deposit of the relevant Instrument of Subscription.

- (b) **Payment Dates for Qualified Subscriptions.** Payments in respect of a Qualified Subscription shall be made within 30 days as, and to the extent that, the relative subscription becomes unqualified and subject to the annual payment dates specified in sub-paragraph (a) above.

A State participant or Donor which has deposited an Instrument of Subscription for a Qualified Subscription shall inform the Fund of the status of its subscription not later than 30 days after the annual payment dates specified in subparagraph (a) above.

- (c) **Programme of Payments.** At the time of depositing its Instrument of Subscription, each State participant or Donor shall indicate to the Fund its proposed programme of instalment payments on the basis of the arrangements set forth in the foregoing provisions of this paragraph 6.

- (d) **Optional Arrangements.** Any State participant or Donor may, by a written declaration, indicate to the Fund that it intends to make payment at earlier dates or in fewer instalments or different proportions not less favourable to the Fund than those specified in sub-paragraphs (a) and (b) above.

- (e) **Method of Payment.** Payments in respect of each subscription shall be made in cash or, at the option of the State participant or Donor making the payment, by the deposit of non-negotiable non-interest-bearing notes or similar obligations of the State participant or Donor, encashable on demand by the Fund at their par value in accordance with the terms of sub-paragraph (f).

- (f) **Encashment of Notes.** Unless otherwise decided by the Board of Directors, the Fund will encash the notes or similar obligations of State participants or Donors in accordance with the standard ten-year encashment schedule set out in Annex 3. With respect to a State participant or Donor that is unable to comply with one or more encashment requests, the Fund may agree with that State participant or Donor on a revised encashment schedule for such notes or similar obligations that yields at least an equivalent value to the Fund.

- (g) **Accelerated Encashments.** Notwithstanding paragraph 6(f) of this Resolution, a State participant or Donor may request at the time of the deposit of its Instrument of Subscription or any time thereafter to use the investment income derived from

the accelerated encashment of its instalment payments to (i) increase its contributions and burden share in the replenishment, (ii) pay a discounted amount on its subscription while maintaining its burden share, to reduce the Fourteenth Replenishment's technical gap, (iv) pay for other commitments to the Fund (such as grant or MDRI compensation), or (v) meet their past due payments on past and future replenishments, subject to the terms and conditions set out in the Report.

- (h) **Conditions for Payment.** Notwithstanding the foregoing provisions of this paragraph 6, no State participant or Donor shall be obliged to make any payment except when its subscription has become available for operational commitment as specified in paragraph 8 of this Resolution.

*The proposal contained in Paragraph 6 of this draft Resolution is for subscriptions to be paid in three equal annual instalments in a unit of obligation acceptable to the Fund. Specific proposals are made about when such instalments should be paid. These proposals are subject to agreement by the Deputies. It is worth noting that State participants and Donors are allowed to specify earlier payment dates and different proportions provided this optional arrangement is no less favourable to the Fund than the arrangement applicable generally in accordance with the agreement amongst Deputies.*

## 7. **Advance Subscriptions**

- (a) **Advance Subscription Level.** In order to avoid an interruption in the Fund's ability to make operational commitments pending the effectiveness of the Fourteenth Replenishment, and if the Fund shall have received Instruments of Subscription from State participants and Donors whose subscriptions aggregate not less than the equivalent of **twenty per cent (20%) of the total amount of intended subscriptions listed in Annex 1 to this Resolution**, the Fund may deem, prior to the Effective Date, an amount equivalent to the first commitment tranche of each subscription or contribution for which an Instrument of Subscription has been deposited by a State participant or Donor and, where applicable, a duly executed concessional loan agreement for a Concessional Donor Loan or a Bridge Loan has been received by the Fund as an advance subscription..
- (b) **Uniformity of Terms.** The terms and conditions applicable to subscriptions under this Resolution shall apply also to advance subscriptions until the Effective Date, when such subscriptions shall be deemed to constitute payment towards the amount due from each State participant or Donor for its subscription.
- (c) **Interim Voting Rights.** In the event that the Fourteenth Replenishment shall not have become effective by **1 January 2017**, voting rights for advance subscriptions shall, to the extent of payment therefore, be allocated to each State participant making an advance subscription as if it had been made as a subscription under this Resolution, and each State participant not making an advance subscription shall have the opportunity to exercise its pre-emptive rights with respect to such subscription on such conditions as the Fund shall specify.

- (d) **Utilisation of Advance Subscriptions for Operational Commitments.** Without prejudice to the provisions of the preceding sub-paragraphs, any State participant or Donor may, if it chooses, notify the Fund that its subscription, or a part thereof, shall be regarded as an advance subscription which may be available to the Fund for the purpose of making commitments prior to the attainment of the advance subscription level specified in sub-paragraph (a) of this paragraph. Upon the attainment of the advance subscription level, the provisions set forth in sub-paragraphs (b) and (c) of this paragraph shall be applicable to any amount made available to the Fund pursuant to the provisions hereof.

*Pending the effectiveness of the Fourteenth Replenishment, deposit with the Fund of Instruments of Subscription representing not less than 20% of the total amount of intended Subscriptions listed in Annex 1 to this Resolution will trigger the Advance Subscription provisions. The rationale for this provision is to minimize any disruption in the operations of the Fund pending the effectiveness of the Fourteenth Replenishment. This should also facilitate a smooth transition from the ADF-13 Replenishment period to the ADF-14 Replenishment Period.*

## 8. **Commitment Authority**

- (a) **Unqualified Subscriptions.** For the purpose of operational commitment and financing by the Fund under its operational programme for the period of the Fourteenth Replenishment, each Unqualified Subscription shall be divided into three equal tranches, and shall be available for operational commitment as follows:
- (i) the First Tranche: on the Effective Date, provided that advance subscriptions may become available for operational commitment prior to the Effective Date pursuant to paragraph 7 of this Resolution;
  - (ii) the Second Tranche: as from **1 January 2018**; and
  - (iii) the Third Tranche: as from **1 January 2019**.
- (b) **Qualified Subscriptions.** Each Qualified Subscription shall become available for operational commitment as, and to the extent that, it becomes unqualified; which should occur in tranches of at least one third of the total amount of each subscription during the years **2017, 2018** and **2019**, respectively.
- (c) **Exceptions.** Notwithstanding the preceding sub-paragraphs, any State participant or Donor may authorize the use of the tranches of its subscription for operational commitment on a schedule more favourable to the Fund than that specified in sub-paragraphs (a) and (b) above.

## **9. Consultative Meeting of State Participants and Donors**

If, in the course of the Fourteenth Replenishment, delays in the deposit of Instruments of Subscription, in the release of tranches of subscription for operational commitment pursuant to paragraph 8 hereof or in the payment of subscriptions cause or threaten to cause a suspension in the Fund's lending or grant operations or otherwise prevent the substantial attainment of the goals of the Fourteenth Replenishment, the Fund shall, at the direction of the Board of Directors, convene a meeting of representatives of State participants and Donors to review the situation and agree on practical steps aimed at fulfilling the conditions necessary for the continuation of the Fund's operations or for the substantial attainment of those goals.

## **10. General**

- (a) **Allocation of Voting Rights.** For the purpose of determining the proportionate share of a State participant of the aggregate votes of the State participants under Article 29(3) of the Agreement and to the extent that payment has been made, each increase in subscriptions by a State participant hereunder, shall be added to the subscriptions made by it under Articles 6 and 7 of the Agreement on the 31st of March, 30th of June, 30th of September and 31st of December of each year beginning with the coming into effect of this Resolution. In addition, each State participant that has provided a Concessional Donor Loan or a Bridge Loan in the amount provided in Annex 2 will be notified by the Fund of the grant element determined by the Fund with respect to such loans. The grant elements of such loans shall be recognized in a manner similar to how the Fund recognizes grant compensation provided under the MDRI consistent with Resolution F/BG/2006/12 and the provisions of this sub-paragraph of this Resolution following payment to the Fund of such loans. Likewise, cumulative compensation for grants received from State participants shall be factored into the computation of the voting rights of State participants.
- (b) **Acceptance by State Participants.** Each State participant accepts the provisions of sub-paragraph (a) herein to the extent that its acceptance is required under Article 29(3) of the Agreement.
- (c) **Selection of Executive Directors.** For the purposes of Article 27(6)(b) of the Agreement, selections to the Board of Directors shall take place during the annual meeting of the Board of Governors of the Fund in the year **2019**.
- (d) **Maintenance of Value.** The rights and obligations of State participants making additional subscriptions pursuant to this Resolution, of other State participants, of the Bank, and of the Fund, in respect of the additional subscriptions provided for in this Resolution shall (except as otherwise provided for in this Resolution) be the



same as those which govern the initial subscriptions of original participants made pursuant to Article 6 of the Agreement, save that for the purpose of the valuation of additional subscriptions authorised by this Resolution, paragraphs (1) and (2) of Article 13 of the Agreement are hereby waived and shall not be applicable.

- (e) **Administration of Subscriptions under previous Replenishments.** On the Effective Date of the Fourteenth Replenishment, any funds, receipts, assets or other resources held by the Fund under previous Replenishments will be administered under the Fourteenth Replenishment in accordance with the terms and conditions of the Fourteenth Replenishment. The Fund is authorized to use such funds to provide financing in the form of loans and grants.
- (f) **General Authorization.** The Board of Directors shall take all such measures, as shall be necessary or expedient, for the proper implementation of this Resolution in the light of the policy objectives and the operational guidelines set out in the Report.

*In accordance with Articles 6, 7 and 13(1) of the Agreement, State participants were under an obligation to maintain the free convertibility and value of the currencies used for their initial subscriptions and subscriptions made under the First Replenishment. Likewise, the Fund under Article 13(2) of the Agreement was obligated to return to a State participant an amount of the State participant's currency if the par value of such participant's currency has increased in terms of the Unit of Account. Since the Second Replenishment, the Fund, the Bank and State participants have agreed to waive the maintenance of value provisions for each replenishment, without adversely affecting the rights and obligations acquired by virtue of the initial subscriptions and subscriptions under the First Replenishment.*

## **11. Exchange Rates**

Subscriptions made under this Resolution, as shown against each State participant and Donor in Annex 1, have been determined on the basis of exchange rates expressed in terms of currency units per SDR, as given by the International Monetary Fund, averaged daily against a synthetic SDR during the six month period commencing **3 April 2016** and ending on and including **2 October 2016**.

*Given the introduction of the Chinese Renminbi (RMB) in the SDR basket in October 2016, and in order to better reflect the performance of the revised SDR vis-à-vis other currencies of subscription, ADF-14's exchange rates were determined against a synthetic SDR reconstructed by the Fund for the 6-month averaging period observed from 3 April to and including 2 October 2016. The reconstruction exercise fully reflected the methodology used by the International Monetary Fund for determining the daily valuation of the SDR, as well as the new currency amounts determined and published by the IMF on 1 October 2016.*

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\* **GENERAL COUNSEL'S NOTE:** *The italicized text in boxes throughout this Resolution is for explanatory purposes only and shall not be binding on State participants and Donors.*

**Pledges to the Fourteenth Replenishment of the African Development Fund as of [ ]**  
**[To be completed]**

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**Concessional Donor Loans and Bridge Loans under the Fourteenth Replenishment of the African Development Fund**

[To be inserted]

**ADF-14 Encashment Schedule**

<b>Encashment Year</b>	<b>Annual rate of encashment of subscription (%)</b>
<b>2017</b>	10.78
<b>2018</b>	13.15
<b>2019</b>	15.77
<b>2020</b>	10.29
<b>2021</b>	10.48
<b>2022</b>	9.86
<b>2023</b>	8.91
<b>2024</b>	8.52
<b>2025</b>	8.85
<b>2026</b>	3.39