ADF-13 MID-TERM REVIEW

Update on the Resource Allocation under ADF-13

Information Note

11-13, November 2015

AFRICAN DEVELOPMENT FUND

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Abbreviations

ADF	African Development Fund
ADB	African Development Bank
AIDI	Africa Infrastructure Development Index
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
CPA	Country Performance Assessment
CPIA	Country Policy and Institutional Assessment
GDPpc	Growth Domestic Product per capita
HIPC	Heavily Indebted Poor Countries initiative
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
PBA	Performance-Based Allocation
PBO	Project Based Operations
PCG	Partial Credit Guarantee
PPF	Project Preparation Facility
PRG	Partial Risk Guarantee
PSF	Private Sector Credit Enhancement Facility
RMC	Regional Member Country
RO	Regional Operations Envelope
ROSPF	Regional Operations Selection and Prioritization Framework
RPG	Regional Public Goods
TSF	Transition Support Facility
UA	Unit of Account

Information Note – Update on the Resource Allocation under ADF-13

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1. Background

1.1 This information note on the Update of the Resource Allocation under ADf-13 presents the status of implementation of the resource allocation framework agreed for the period 2014-2016 and the use of the resources allocated through different existing envelopes. It presents the resources currently available for allocation under the Performance-Based Allocation (PBA) system and the set-asides for regional operations (ROs envelope) and states in transition (Transition Support Facility, or TSF). It also briefly presents Management's assessment of the status and expectations on the TSF Pillar II resources for arrears clearance, and makes a proposal concerning these resources. In addition, the paper briefly discusses the status of the Project Preparation Facility (PPF) and Management' efforts to enhance its efficiency. The Private Sector Credit Enhancement Facility (PSF), the Partial Credit Guarantee (PCG) and the Partial Risk Guarantee (PRG) are not discussed in this paper as they are specifically addressed in the "Implementation of Innovative ADF-13 Financing Instruments" paper.

1.2 In recognition of the ADF's role as an important channel for development financing on highly concessional terms, ADF's donors slightly increased their contribution by 0.5 percent as compared to ADF-12. This was done despite the financial constraint among many of the ADF' contributors. However, at the same time, the advance commitment capacity (or internal generated resources) which are the Bank's contribution to each ADF's replenishment was lower by Unit of Accounts (UA) 1 billion as compared to ADF-12. Consequently, total resources available for allocation for ADF-13 dropped by 14.3 percent.

1.3 The paper is presented in 5 sections. Following this background, section 2 provides an overview of the allocation and use of ADF-13 resources. Section 3 examines the report and proposal on use of ADF-13 TSF Pillar II resources. Section 4 briefly discusses the implementation of the adjustments to the PBA System. Finally, section 5 concludes the paper.

2. Allocation and Use of ADF-13 Resources

2.1 The resources of the African Development Fund (ADF) are allocated to eligible Regional Member Countries (RMCs) through the PBA system, the dedicated envelope for ROs and the TSF. In addition, the ADF-13 replenishment introduced two innovative financing instruments: i) the dedicated facility for enhancing private sector operations in ADF countries (PSF) for which a one side contribution of UA 165 million was granted; and ii) the PCG which cover debt service obligation in ADF well performing countries[1]. The PPF (introduced in ADF-VIII) and the PRG[2] (introduced in ADF-12) are also valuable instruments for supporting project preparation and risk mitigation, respectively.

2.2 Performance remains the bedrock of the PBA system. However, the adjustments to the PBA system as part of the ADF-13 replenishment contributed to greater recognition of

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[1] Only ADF countries at low risk of debt distress who have adequate debt management capacity or State Owned Enterprises (SOEs) in ADF countries at low or moderate risk of debt distress are eligible to the PCG.

[2] ADF eligible countries use their PBA to have access to the PRG. A 25 percent of the notional guarantee is deducted from the country's PBA.

ADF countries' needs (see section 4). Although linked to country's PBAs, the RO and the TSF envelopes use their own framework for allocating respective resources.

2.3 Currently forty (40) RMCs are eligible to ADF resources. Among these countries, thirty-four (34) are ADF (including four (4) gap), three (3) are blend and three (3) are at different stages of graduation to the ADB status (Annex II). The eligibility for ADF resources still determined by country's creditworthiness and the level of income as measured by the Gross National Income per capita (GNI pc).

Overall Resources

2.4 Total expected resources under ADF-13 including carry overs amount to UA 5,366.24 million at end September 2015. Internally generated resources and payments received on donors' subscriptions available for commitment to projects and programs stood at UA 4,226.38 million on the same date. On that same date, UA 2,473.02 million or 58.5 percent of the resources available for commitment had been committed. The balance available for commitment stood at UA 1,775.79 million.

Table 1: ADF-13 Resources and Uses

(UA million)	Expected ADF-13 Resources at end Sep. 2015	Available Resources (Commitment Capacity)* at end Sept. 2015 (A)	Committed Resources[3] at end Sep. 2015 (B)	Balance A-B
Performance-Based Allocation	3,126.54	1,810.43	1,432.99	377.44
Regional Operations	1,050.88	1,050.88	709.25	364.67[4]
Transition Support Facility	661.77	1,047.38	329.14	718.24
of which Pillar I: supplemental	571.80	590.88	299.23	291.65
of which Pillar II: arrears clearance	30.00	392.00	0.33	391.67
of which Pillar III: targeted	60.00	64.50	29.58	34.92
PSF	165.00	165.00		165.00
PRG	-	109.31		109.31
PPF	-	14.51	1.64	12.87
Contingencies	362.05	28.26	-	28.26
TOTAL	**5,366.24**	**4,226.38**	**2,473.02**	**1,775.79**

** Including carry over from previous ADF cycles*

Performance-Based Allocation Resources

2.5 After deducting contingencies and set-asides, UA 3,126.54 million is available for performance-based country allocations for the entire ADF-13 cycle. Out of this amount,

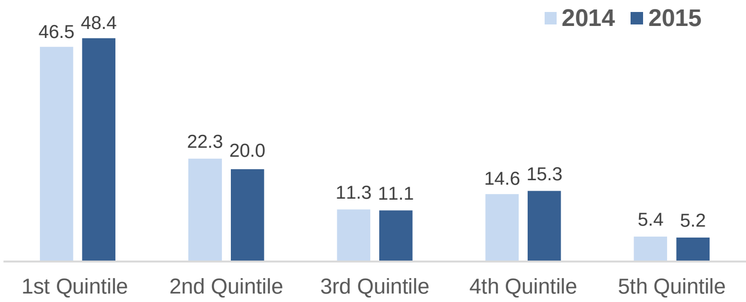
[3] Including surcharges on grants as derived from the Statement of Commitment Capacity as at September 30, 2015.

[4] As for the PBA, the RO envelope is updated each year when ADF country allocations are computed. The indicative RO envelope for 2015 stood at UA 1,073.92 million. For the purpose of the preparation of this note, Management updated the RO envelope which is now set at UA 1,050.88 million. The amount of UA 364.67 million not yet committed but already prioritized reflects the difference (+UA 23.04 million) between the indicative RO envelope for 2015 and the updated RO envelope as at end Sep. 2015. Management will adjust resources for commitment for regional operations to align it with the final RO envelope for ADF-13 cycle.

UA 1,432.99 million (46.1 percent) has been committed as at end September 2015. Of the PBA approvals, 67 percent have been in the form of loans and 33 percent in the form of grants. 83.8 percent of country PBA commitments have been for investment and capacity-building projects while 16.2 percent have been for PBOs. Based on the PBOs' pipeline for the ADF-13 cycle, it is estimated that the share of PBOs in total PBA approvals will stand to approximately 18 percent by the end of the cycle, which is below the 25 percent ceiling for PBOs agreed for ADF-13.

2.6 The 2014 and 2015 performance-based country allocations confirm that performance remains the bedrock of the PBA system. The bulk of PBA resources (more than two thirds) continue to be allocated to higher performing ADF countries (Figure 1). UA 1,033.36 million and UA 1,089.93 million were allocated in 2014 and 2015 through the PBA system (Annex III), respectively. The remaining indicative amount of UA 1,003.24 million will be allocated in 2016.

Figure 1: Distribution of 2014 and 2015 country allocations by CPA quintile

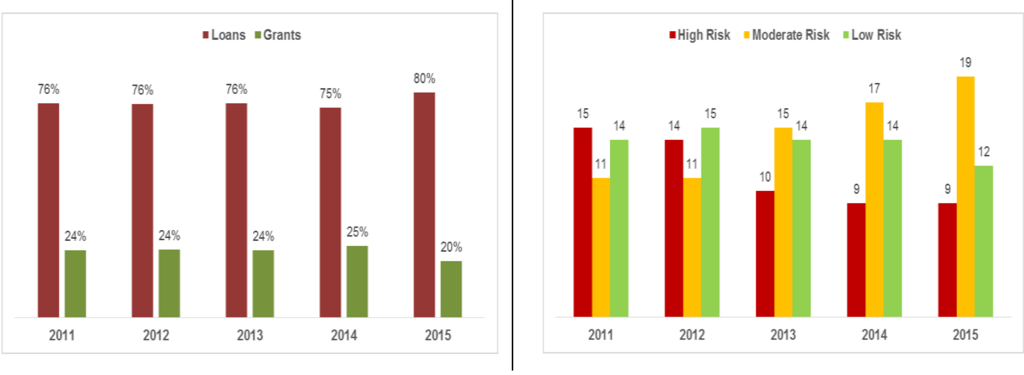


2.7 The distribution of PBA in loans and grants as well as the number of countries receiving their allocation in loans, grants or a mix of loans/grants is presented in figures 1a and 1b. The share of loans in total PBA has been consistently above 70 percent and achieve even 80 percent in 2015 (Figure 1a). As Figure 1b shows, this reflects the increasing in the number of countries receiving their PBA partially or totally in the form of loans (from 25 in 2011 to 31 in 2015).

Figure 2: PBA Distribution in Loans, Grants and Mix Loans/Grants

a) Proportion of loans and grants in PBA *(Percentage)*

b) Allocation by DSA Classification *(Number of countries)*



Regional Operations Envelope

2.8 The size of the RO envelope for ADF-13 was increased to 21 percent of ADF allocable resources (compared to 20 percent for ADF-12), i.e. UA 1,050.88 million.

2.9 The Regional Operations Selection and Prioritization Framework (RISPF) was revised to better balance expected project impact and country performance and rationalize the selection and prioritization process for ROs and RPGs (one comprehensive framework and process for both ROs and RPGs, but use of specific scorecards)[5].

2.10 The cost-sharing mechanism introduced in ADF-11 and reconfirmed in ADF-12 was maintained for ADF-13 (countries finance up to one-third of project costs and the RO envelope covers up to two-thirds), but three adjustments were provided to better take into account transition state and small countries' needs:

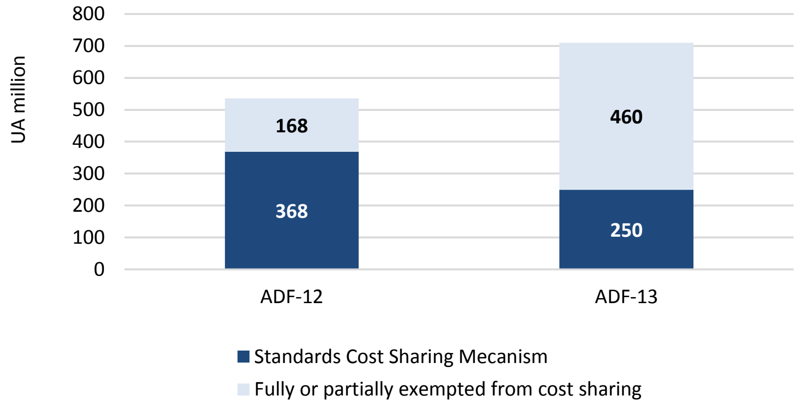
- a leverage ratio up to 2 for transition states (instead of 1.5 as for ADF-12) that can use from ADF-13 their TSF Pillar I resources to benefit from the RO envelope;
- countries with small PBA continue to contribute at least 40 percent of project costs up to 10 percent of their PBA contribution, but the limit of 10 percent applies for each regional project and not for the entire cycle as it was the case for ADf-12; and
- allowing the use of the RO envelope for policy reforms promoting regional integration (e.g. Coordinated PBOs).

2.11 Following the 2014 and 2015 ROSPF exercises, the totality of resources available under the RO envelope for ADF-13 have been allocated. Thirty-four (34) multinational projects, sixteen (16) RO and eighteen (18) RPG have been selected. As at end September 2015, UA 709.25 million has been approved, i.e. 67.5 percent of total resources under the RO envelope. Management will continue monitoring the use and deployment of RO resources and, if need be, will timely (by early February 2016) reallocate resources not committed based on the 2015 prioritization exercise

2.12 Out of the total amount approved, 65.4 percent (UA 464.08 million) was in the form of loans and 34.6 percent (UA 245.16 million) in the form of grants. The standard cost sharing mechanism was applied in 35.2 percent of projects approved (UA 249.53 million) while in 64.8 percent (UA 459.71 million) projects were fully or partially exempted from cost sharing. The increased share of projects fully or partially exempted from cost sharing as compared to ADF-12 is mainly due to the new provision under ADF-13 that allows transition states to use their resources from the TSF Pillar I to leverage the RO envelope. In addition, RPGs projects and projects benefiting countries with small allocations (UA 15 million per ADF cycle) are also fully or partially exempted from the cost sharing mechanism.

[5] African Development Fund, ADF/BD/WP/2014/32, April 2014.

Figure 3: Approvals of ROs and RPGs: ADF-12 vs. ADF-13



Resources for Fragile Situations under the Transition Support Facility (TSF)

2.13 Under ADF-13, UA 661.77 million has been allocated to the TSF, of which UA 571.77 million for Pillar I, UA 30 million for Pillar II and UA 60 million for Pillar III. In addition, UA 19.11 million under Pillar I, UA 362 million under Pillar II, and UA 4.5 million under Pillar III have been carried over from ADF-12 to the same Pillars in ADF-13.

2.14 Important reforms were introduced in ADF-13, including i) the possibility for eligible countries to use TSF Pillar I resources to access the RO envelope and leverage up to a ratio of 1:2; ii) setting aside 10 percent of resources under TSF Pillar I to increase the Bank's ability to respond, as needs arise, in fragile situations; and iii) introducing additional qualitative measures for assessing eligibility for assistance from the TSF.

2.15 Sixteen (16) countries are currently eligible to TSF Pillar I resources, compared to twelve (12) for ADF-12 (see Annex IV for country's allocation under TSF Pillar I for ADF-12 and ADF-13). Following Board Decision of August 15, 2014[6], Guinea was added to the initial list of countries eligible to receive resources from the TSF Pillar I.

2.16 The Bank is on track with the utilisation of the TSF Pillar I resources, having committed 52 percent of the regular resources (UA 299.23 million) and 40 percent of the unallocated reserve (UA 23.86 million). UA 0.33 million has been committed from the Pillar II resources for arrears clearance as of end September 2015. The status and Management's proposal on the use of these resources is discussed in section 3 and in more details in the Information Note on "Progress under the Bank Group's Strategy to Address Fragility and Build Resilience in Africa and the use of the TSF".

2.17 The implementation of the TSF Pillar III followed the approval of the Operational Guidelines in January 2015 with a revised business model[7]. 21 percent (UA 13.58 million) has been committed from an allocation of UA 64.5 million to Pillar III. UA 16 million was also allocated to the African Legal Support Facility (ALSF) from the UA 64.5 million.

Project Preparation Facility (PPF)

2.18 You may recall that the objective of the African Development Fund Project Preparation Facility (ADF-PPF) which was established in 2000 aims to enhance the quality of

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6 Guinea's assessment of eligibility for Pillar 1 TSF – ADF/BD/WP/2012/11/Add.1

7 ADB/BD/WP/2014/46/Rev.3/Approval and ADF/BD/WP/2014/30/Rev.3/Approval entitled "Operational Guidelines for the Implementation of the Strategy for Addressing Fragility and Building Resilience in Africa and for the Transition Support Facility.

project preparation and provide an effective mechanism for prompt response to the project preparatory needs of the beneficiary countries. After more than one decade of implementation, the guidelines of the Facility were reviewed in 2014 in order to improve its effectiveness and efficiency as well as ensure their continued alignment with the Bank Group's strategy, policies, practices and procedures.

2.19 The revisions focused mainly on three (3) areas: (i) Increasing the maximum amount per PPF operation from the limit of UA 500,000 to UA 1,000,000; (ii) Harmonizing the ADF-PPF guidelines with other operational guidelines (e.g. the IPPF's), taking into account good practices and principles for enhancing effectiveness of project preparation; and (iii) ensuring an appropriate institutional arrangement to oversee the implementation and monitoring of the Facility. In this regard, the Bank Management designated FRMB (Resource Mobilization and External Finance Department) to oversee the overall activities of the ADF-PPF, including providing advisory services to operational departments, tracking proposals, financial monitoring, facilitating the approval of proposals, and reporting to the Board of Directors on an annual basis.

2.20 A communication and sensitization strategy was put in place to ensure awareness and dissemination of the PPF among staff and ADF-eligible countries in order to promote the use of the funds available through eligible operations. Recently, colleagues in sectoral and regional departments were invited to submit proposals for financing from the PPF so as to build a base of pipeline projects for PPF financing. As at end September 2015, approximately up to UA 12.87 million of funding is available, two (2) projects have already been approved and several other projects to be financed are at different stage of preparation. An annual report on PPF activities will be prepared to inform the Board of Directors.

Resources Available from Cancellations

2.21 Since 2011, the Revised Guidelines on Cancellation of Approved Loans, Grants and Guarantees[8] provide an opportunity for ADF countries and the Bank to redirect ADF resources from non-performing operations to others better performing and to relieve countries of financial costs in the form of commitment fee levied on undisbursed balances. The revised guidelines allow ADF-eligible countries to retain 70 percent of the resources from the ADF operations that have been cancelled. These resources can be re-used for commitment to ongoing operations or new activities consistent with the Country Strategy Paper (CSP). The balance, 30 percent, is returned to the Bank's general resource pool for re-allocation.

2.22 The new provision proved to be a useful tool in cleaning up the non-performing elements in the active ADF portfolio and improve portfolio quality. Indeed, at end September 2015, the total resources available to ADF countries from cancellations stood at UA 39.52 million, of which UA 6.28 million (15.9 percent) had been re-committed to new operations. As compared, to 30 June 2012, total resources available to ADF countries from cancellations stood at UA 107 million, of which UA 63 million (58 percent) had been re-committed to new operations.

3. Report and Proposal on Use of ADF-13 TSF Pillar II Resources

3.1 The total amount of arrears of Somalia, Sudan and Zimbabwe to the Bank Group is projected to stand at UA 747.19 million at the end of the ADF-13 cycle (Table 2). Of this amount, the arrears to ADB amount to UA 575.29 million and the arrears to ADF

[8] ADF/BD/WP/2010/62/Rev.3

UA 169.94 million. The TSF Pillar II resources amount to UA 392.29 million. Due to the prohibition against re-financing, these resources can clear only the ADB portion of countries' arrears.

Table 2: Somalia, Sudan and Zimbabwe Arrears to the Bank and Available Resources for Arrears Clearance (UA million)

Country	Arrears to AfDB	Arrears to ADF	Arrears to Nigeria Trust Fund	Total
Sudan	120.95	104.31		225.25
Zimbabwe	437.87	13.84		451.71
Somalia	16.48	51.79	1.95	70.22
Total	**575.29**	**169.94**	**1.95**	**747.19**
Resources available (TSF)	392.29			
Financing gap	183.00	169.94	**1.95**	354.90

3.2 At September 2015, uneven progress has been made by the three eligible countries to the TSF Pillar II. While Zimbabwe has advanced considerably and now meets the eligibility criteria for Pillar II, Somalia and Sudan experienced setbacks that diminish their possibilities of becoming eligible under ADF-13. As a consequence, only Zimbabwe can be expected to use Pillar II resources under ADF-13[9].

3.3 The total amount of Zimbabwe's arrears to the AfDB currently stands at UA 437.87 million and would therefore require the utilization of 100% of the resources under TSF Pillar II plus a supplemental amount of UA 45.58 million (Table 3). In addition, UA 13.84 million would need to be mobilized, from the ADB or other sources, to clear the ADF portion of the arrears. However, as the Bank's arrears clearance operation has to be closely linked to similar efforts by other creditors – especially the IMF and World Bank, whose eligibility criteria for arrears clearance have not yet been met – Management's proposal is not to reallocate the Pillar II resources at this point[10].

4. Implementation of the Adjustments to the PBA System

4.1 The PBA system has been reformed in order to i) better align it with the Bank Group's Strategy for 2013-2022, ii) strengthen effectiveness and efficiency, and iii) provide more support to needier countries. This was done as follows:

- the Africa Infrastructure Development Index (AIDI), which measures the level of a country's infrastructure, was included in the PBA formula's needs component with a negative exponent of -0.25, so that countries with a greater infrastructure deficit benefit more;
- on the performance side, a new group of questions focused on infrastructure and regional integration (cluster E) has been added to the CPIA with a weight of 0.06;
- the minimum allocation has been tripled from UA 5 to 15 million per 3-year cycle, which will especially benefit countries with a small population;

[9] It needs to be recalled that the resources are to be used for eligible countries on a first-come-first-served basis.

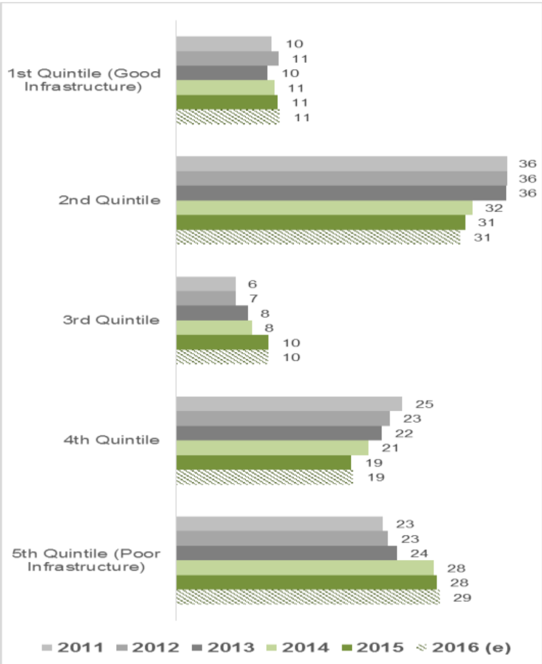
[10] Ongoing efforts to find a solution to the protracted situation, including the AfDB championing Debt Policy Options for Zimbabwe, are discussed in detailed in the Transition Support Facility Paper.

- the exponent on the Country Performance Assessment (CPA) in the PBA formula has been slightly increased to maintain the balance between performance and needs.

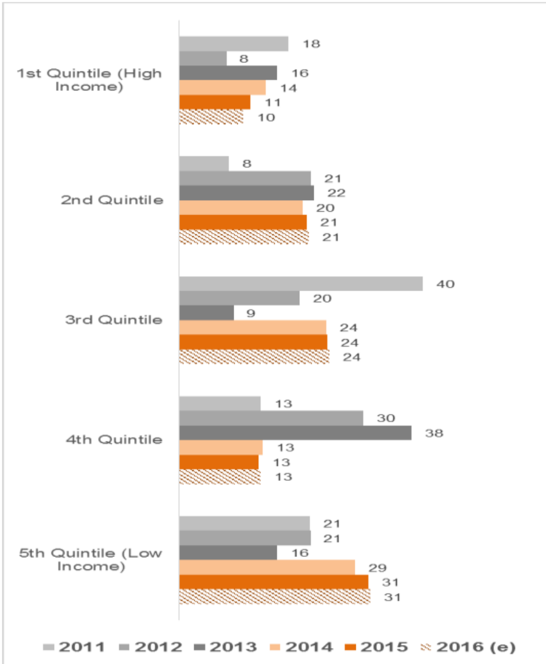
4.2 While performance remains the main driver of performance-based country allocations, the adjustments to the PBA system entailed an increase in the share of resources allocated to the neediest countries in terms of infrastructure and GNIpc. More specifically, the share of resources allocated to countries in the last AIDI quintile increased from 24 percent in 2013 to 28 percent in 2014 and 2015 (see Figure 4a). Similarly, the impact of the minimum allocation increase seems stronger on lower income countries. As shows Figure 4b, the fifth GNI pc quintile – corresponding to the poorest countries – increased from 16 percent in 2013 to 29 percent in 2014 and 31 percent in 2015.

Figure 4: PBA Distribution by Quintile

a) AIDI

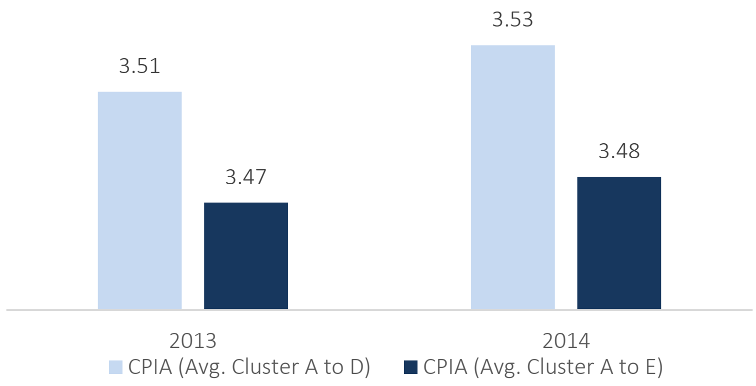


b) GNI pc



4.3 The set of questions on infrastructure and regional integration added to the CPIA questionnaire (Cluster E) didn't result in increased CPIA scores. Indeed, data for the two first years of implementation of cluster E shows that the $CPIA_{A-E}$ average score (CPIA average score following the addition of Cluster E) has been more conservative than the $CPIA_{A-D}$ average score (former CPIA average score before the addition of Cluster E) (Figure 5).

Figure 5: Africa CPIAA-D vs. CPIAA-E Average Scores



5. Conclusion

5.1 ADF-13 resources have been allocated to performance-based national country envelopes, the RO envelope and the TSF in accordance with the agreed framework. Overall resource committed stood at 46.1 percent at end September 2015 and it is expected to rise to 58.0 percent by end of 2015, 70.0 percent by end June 2016 and 100 percent by end of ADF-13 cycle.

5.2 Resources allocated through the PBA system have continued to flow to the best-performing countries mainly driven by the CPIA. However, the adjustments introduced as part of the ADF-13 replenishment resulted in additional resources going to the neediest countries.

5.3 The allocation of the totality of RO resources at the middle of the ADF-13 cycle reflects the increased demand for regional operations but also the efficacy of the RISPF. Indeed, the revised RISPF contributed to allocate RO resources on a transparent and efficient way while ensuring a good balance between “expected project impact” and “country performance”.

5.4 Concerning the resources in TSF Pillar II (arrears clearance window), based on the countries’ progress so far in meeting the technical requirements for arrears clearance and indications of ongoing efforts, Management’s assessment is that Zimbabwe could qualify for arrears clearance by the end of the ADF-13 period. In view of this, Management proposes to retain the Pillar II resources throughout ADF-13. However, Zimbabwe’s arrears clearance operation has to be managed in liaison with the IMF and the World Bank, whose eligibility criteria for arrears clearance have not yet been met. Finally, Management recommends that any unused amount at the end of the cycle be rolled over to the same window in ADF-14.

Drafting and reviewing team composition

Team member	Unit/Department
Ricardo Carvalheira	FTRY
Yapo Léonce	FRMB
Riadh Ben Messaoud	FRMB
Jacques Moulot	ONRI
Oscar Pitti Rivera (lead)	FRMB
Malek Sefi	FRMB
Mohamed Tarawally	FFCO
Frederik Teufel	ORTS

Annex I: Regional Member Country Classification as at September 30, 2015

ADB countries (14)	ADF-eligible countries (40)				
	Gap (4)	Blend (3)	Graduating to ADB (3)	ADF-only (30)	
`Algeria Angola Botswana Egypt Equatorial Guinea Gabon Libya Mauritius Morocco Namibia Seychelles South Africa Swaziland Tunisia	Djibouti Ghana Lesotho São Tomé & Príncipe	Cameroun Kenya Zambia	Cape Verde Congo Nigeria	Benin Burkina Faso Burundi* Central African Rep.* Chad* Comoros* Congo DRC* Côte d'Ivoire* Eritrea* Ethiopia Gambia Guinea* Guinea-Bissau* Liberia* Madagascar* Malawi	Mali* Mauritania Mozambique Niger Rwanda Senegal Sierra Leone* Somalia* South Sudan* Sudan* Tanzania Togo* Uganda Zimbabwe*

* Fragile and conflict affected state, according to the harmonized list AfDB/WB.

ADF-only are countries whose income level is below the GNI pc cut off for IDA/ADF eligibility ($1,215 for fiscal year 2014/2015) for each year and if it is not deemed creditworthy for non-concessional financing.

Blend countries are creditworthiness (generally measured by low debt ratios, fiscal balance position and sound financial sector) but with low GNI per capita. Countries under this category receive 50 percent of their allocation from the ADF window and 50 percent from the ADB window.

ADB are countries which GNI pc exceeds the operational cut off for more than two consecutive years (or at least three consecutive years), and complies with the Bank's creditworthiness criteria at the moment of the assessment. Depending on the country's development level and based on the Transition Framework for Countries Changing Credit Status (ADB/BD/WP/2011/20/Rev.2), the country will benefit from a transition period from 2 to 5 years.

Gap countries are ADF countries which GNI per capita has been above the operational cut-off for more than two years.

Graduating countries are in transition from ADF or Blend categories to ADB-only status. The minimum length of the transition period is set to 2 years. Depending on the level of poverty and human development; the average economic growth; and the financial need, one graduating country can extend its transition period up to 5 years.

Annex II: Summary of the CPIA/PBA Computation Process

The two main determinants of the PBA formula are: (i) Country needs, given by the gross national income per capita (GNI pc), country population (P or Pop) and the Africa Infrastructure Development Index (AIDI); and (ii) Country performance, using the country performance assessment score (CPA).

PBA Formula[11]

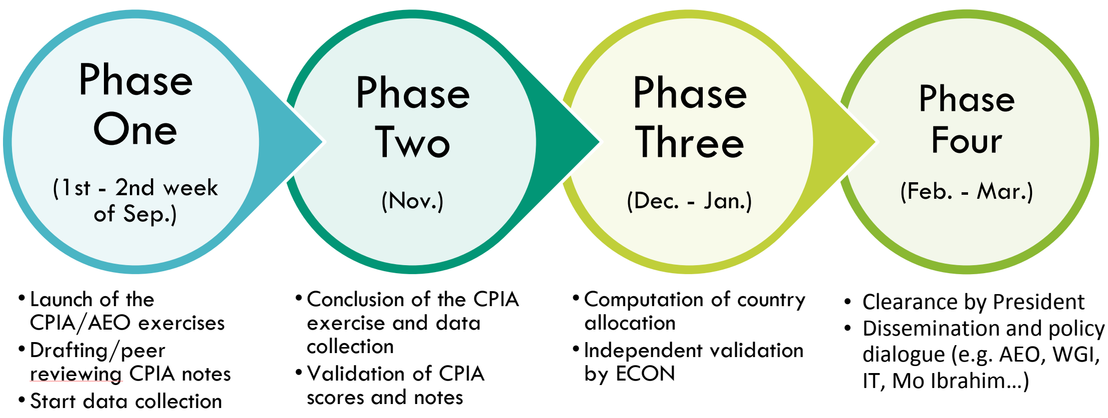
$$A_i = \underbrace{(CPA)_i^{4.125}}_{\text{Performance component}} \times \underbrace{(GNI/p)_i^{-0.125} \times Pop_i^{1} \times AIDI_i^{-0.25}}_{\text{Needs component}}$$

$$CPA_i = \begin{cases} 0.20 \times CPIA_{(ABC)_i} + 0.58 \times CPIA_{D_i} + 0.06 \times CPIA_{E_i} + 0.16 \times PPA_i \\ 0.36 \times CPIA_{(ABC)_i} + 0.58 \times CPIA_{D_i} + 0.06 \times CPIA_{E_i}\ if\ no\ portfolio \end{cases}$$

An increase in GNI/P will decrease the per capita allocation, while an increase in the CPA due to the net positive impact of $CPIA_{ABC}$, $CPIA_D$, $CPIA_E$ and/or PPA will increase the per capita allocation. Countries with relatively large populations will be allocated more resources in absolute terms. Countries with a poor level of infrastructure development will see an increase in their PBA.

In terms of the calculation process, FRMB is the primary custodian of the PBA system. It collects gathers inputs from concerned departments (ESTA, FFCO, FTRY, ORQR, ORTS and Regional Departments). In accordance with a validation protocol established in 2010, the Office of the Chief Economist (ECON) independently re-computes the PBA country allocations. The CPIA/PBA process expend between four to six months, generally from September to January/February of a given year. The dissemination phase of the CPIA scores starts after the validation and publication of the PBA, generally from Feb/March each year.

CPIA/PBA Process



[11] A_i is the key of distribution for calculating the PBA allocation for country i; $AIDI_i$ is the Africa Infrastructure Development Index score for country i; CPA_i is the country performance assessment for country i; $CPIA_{(ABC)i}$ is the score for clusters A, B and C of the Country Policy and Institutional Assessment (CPIA) for country i; $CPIA_{Di}$ is the score of CPIA cluster D (Governance) for country i; $CPIA_{Ei}$ is the score of the new CPIA cluster E for country i; $(GNI/P)_I$ is the gross national income per capita for country I; PPA_i is the Portfolio Performance Assessment for country I; P_i or Pop_i is the population for country i.

The PBA computation process follows three main steps:

- First, resources are allocated to eligible countries using the PBA formula;
- Second, country-specific financing terms (loan, grant, or loan/grant combination) are determined; and
- Third, debt relief to eligible RMCs under the Multilateral Debt Relief Initiative (MDRI) is deducted from their allocation and reallocated to all ADF-only RMCs. Any country whose allocation falls below the minimum allocation receives a top up to bring its allocation to the minimum level.

For further details on the PBA computation steps and methodology, please refer to the ADF-13 Operational Guidelines.

Annex III: ADF-12 vs. ADF-13 Supplemental Financing under TSF Pillar I

Country	ADF-12	ADF-13
Burundi	57.23	25.42
Central African Rep.	26.43	14.84
Comoros	10.00	10.00
Congo DRC	60.00	60.00
Côte d'Ivoire	60.00	60.00
Guinea	-	25.00
Guinea-Bissau	12.51	13.32
Liberia	52.43	36.23
Madagascar	-	60.00
Mali	-	60.00
Sierra Leone	28.71	16.03
Somalia	-	11.20
South Sudan	17.03	21.94
Sudan	22.97	60.00
Togo	41.51	39.68
Zimbabwe	16.21	44.91
Total	**405.03**	**558.57**