

AFRICAN DEVELOPMENT FUND



PROGRESS REPORT ON THE UTILIZATION OF ADF-X GRANT RESOURCES

**ADF-X MID TERM REVIEW
7 – 8 DECEMBER 2006
The Hague, Netherlands**

RESOURCE MOBILIZATION & PARTNERSHIPS UNIT

ABBREVIATIONS

ADF	African Development Fund
AfDB	African Development Bank Group
DSF	Debt Sustainability Framework
DRC	Democratic Republic of Congo (Kinshasa)
GNI	Gross National Income
HIPC	Highly Indebted Poor Country
IMF	International Monetary Fund
MDBs	Multilateral Development Banks
MDRI	Multilateral Debt Relief Initiative
MTR	Mid-term review
PBA	Performance-based Allocation
PCCF	Post Conflict Country Facility
RMCs	Regional Member Countries
TAF	Technical Assistance Fund
UA	Unit of Account (UA 1.0 = SDR 1.0)

Executive Summary

The African Development Fund (ADF) has had grant-financed operations since its establishment in 1974, and this has been modified regularly up to the present ADF-X cycle. In particular, the ADF-IX replenishment introduced a multi-dimensional approach to grant eligibility, including a negotiated target range of 18 to 21 percent for the overall grant share, with recommendations to allocate grants to identified operational priority areas such as HIV/AIDS intervention, post-conflict reconstruction, natural disaster assistance, agriculture, education, and health.

In sharp contrast with the ADF-IX grants system, the ADF-X replenishment introduced a new grant framework whereby the aggregate amount of grants and the overall share of grants in the total ADF commitments are endogenous variables. Unlike ADF-IX, the grants framework under ADF-X has only one criterion, based on economic analysis, namely, country's risk of debt distress, assessed on the basis of the methodology proposed in the joint IMF-World Bank Debt Sustainability Framework (DSF) for low-income countries. Under this framework, after the determination of the ADF-X country allocation by the enhanced PBA system, the actual loan/grant financing terms are then determined by the degree of debt distress associated with each ADF-eligible country.

Overall, the ADF-X grants system represents a marked innovation in the way ADF allocates concessional resources to its RMCs. It comprises (i) a grant eligibility system that directly addresses countries' debt carrying capacity, based on their risk of debt distress; and (ii) a grant allocation system that determines countries' terms of assistance but also affects the total amounts they receive.

More noticeably, the total amount of grants to be provided in ADF-X depends not only on the number of grant-eligible RMCs, but also on the total amount of ADF resources committed for such countries over the ADF-X period. Accordingly, even when grant eligibility is clearly established, there remains some uncertainty and less predictability as to both the eligibility and the availability of grant resources for eligible RMCs from one year to the other. The situation is compounded by reallocation of the forgone debt relief under the Multilateral Debt Relief Initiative. These uncertainties have some major programming effects on the size and composition of projects and call for some adjustments as proposed for 2006. Further adjustments and fine tuning may be necessary for 2007 and beyond.

The total resources available for allocation to the 40 ADF-eligible RMCs is estimated at about UA 2.8 billion, including UA 984.7 million for grant allocations of the available ADF resources, in 2005, and UA 823.8 million for 2006. The Fund's Board of Directors are projected to approve a total of 105 projects under ADF-X amounting to UA 2.22 billion by end December 2006. With more than 60.8 percent of the ADF-X resources committed by then, the Fund is well on track to commit all its resources in 2007, by end of the ADF-X cycle. The grant approvals are expected to amount to UA 906.8 million, and the loans approvals, over UA 1.31 billion.

The number of grant-only RMCs has declined from 26 as estimated during the ADF-X replenishment consultations in 2004 to 20 in 2006, in contrast with the number of ADF loan only countries that has increased from 11 to 16 during the same period under review. However, the number of RMCs with a blend of loan/grant combination has stagnated, marginally varying from 3 in 2004 to 4 in 2006. These dynamics resulted in the reduction of the estimated share of grants in the total available ADF-X resources from 44.29 percent projected at the end of the ADF-X replenishment consultations in 2004, to 34.29 percent in 2005, and is now estimated at 28.35 percent for 2006.

Grants will continue to have a significant impact on ADF's future financial capacity and integrity. Appropriate compensation mechanisms are thus required. Under ADF-X and MDRI, the forgone principal reflows will be compensated for through additional financing, on a pay-as-you-go basis, over and above the regular contributions in future replenishments. Donor contributions for this will be discussed during the next ADF replenishments.

Finally, implementation of the new ADF-X grants system calls for the increased need to foster and scale up the learning process on the part of its users and beneficiaries. This includes Bank Group staff, RMCs, sub-regional development banks and donors that are looking into the possibility of implementing a similar DSF-based framework. This will be pivotal to promote closer coordination with other sources of financing to ADF and MDRI eligible RMCs and to prevent free-riding issues, that is the expansion of loans in terms and volumes non-compatible with the goal of achieving debt sustainability.

ADF-X MID-TERM REVIEW
PROGRESS REPORT ON THE UTILIZATION OF ADF-X GRANTS

I. INTRODUCTION

1.1 This paper responds to a request by African Development Fund (ADF or the Fund) Deputies to assess and closely monitor for the Mid-Term Review of ADF-X (ADF-X-MTR) the implementation of the grant framework. The paper therefore will concentrate on issues related to the actual “roll out” of the new grant system. It is important to highlight that the operational outcomes and operational policy issues associated with the new ADF-X Grant Framework are discussed in three other complementary ADF-X-MTR papers, namely: (i) the Progress Report on the Application of the Debt Sustainability Framework (DSF); (ii) the Enhanced Performance-based Allocation (PBA) Framework: Emerging Issues, Challenges, and Proposals for Discussion for the Way Forward; and (iii) Implementation of the Operational Priorities under ADF-X.

1.2 In this connection, this paper is organized as follows. Following this Introduction, Section II provides a brief description of the new ADF-X grant eligibility framework and compares it with the grant system under previous ADF replenishments, in particular from ADF-VII to ADF-IX. Section III presents a snapshot of the ADF-X Financing Policy Guidelines whereas Section IV focuses on grant utilization under ADF-X, including some estimates of the utilization up to end-December 2006. Concluding remarks and the way forward are presented in Section V.

II. THE NEW ADF-X GRANT ELIGIBILITY FRAMEWORK

2.1. ADF has had grant-financed operations since its establishment in 1974. Under the Seventh and Eight replenishments of the Fund (ADF-VII and ADF-VIII) up to 7.5 percent of the Fund’s resources were administered through the Technical Assistance Fund (TAF) Facility in the form of grants to Category A and B countries.

2.2. The ADF-IX replenishment introduced a multi-dimensional approach to grant eligibility. This included classification of several regional member countries (RMCs) with respect to thematic eligibility criteria: (i) Category A RMCs with an average per capita gross national income (GNI) of up to US\$ 360 were expected to receive between 22.8 and 27 percent of their ADF allocations on grant terms; (ii) Category A RMCs with an average per capita GNI above US\$ 360, as well as Category B RMCs were expected to receive 7.5 percent of their country allocations in grants . The ADF-IX grants system also envisaged a negotiated target range of 18 to 21 percent for the overall grant share, and recommended allocating grants to identified operational priority areas including HIV/AIDS intervention, post-conflict reconstruction, natural disaster assistance, agriculture, education, and health.

2.3. The ADF-X replenishment introduced a new grant eligibility and allocation framework for the Fund. In terms of grant eligibility, unlike in ADF-IX where the overall grant share was negotiated and then allocated according to multiple criteria for grant eligibility, ADF-X has only one criterion, based on economic analysis:

country's risk of debt distress.¹ This risk is assessed on the basis of the methodology proposed in the joint IMF-World Bank debt sustainability framework for low-income countries.² Essentially what is implied is that after the determination of the ADF-X country allocation by the enhanced PBA system, the actual loan/grant financing terms are then determined by the degree of debt distress associated with each ADF-eligible country system.³ The risk ratings in the form of traffic lights are translated into grant allocations. High risk (red light) is associated with 100 percent grants, medium risk (yellow light) is associated with 50/50 loan grant proportion, and low risk (green light) associated with zero grants.⁴

2.4. In addition to a clear and direct link to the enhanced PBA system, the main novelty of the ADF-X Grant Framework is the fact that the aggregate amount of ADF-X grants and the overall share of grants in total ADF commitments are endogenous variables. This is in sharp contrast with the ADF-IX grants system, where a target grant percentage range was determined upfront as highlighted in para. 2.2 above.

2.5. The new ADF-X grants system has three key advantages over the ADF-IX approach. First, it provides a clear and analytical-based criterion for allocating grants. Second, it facilitates a more transparent decision-making process on countries' financing terms. Third, the system is tailored to individual RMCs characteristics, its debt-carrying capacity, rather than a sector-or project-based approach. Therefore, every ADF operation in red light RMCs is grant financed, irrespectively of the sector. By the same token, all ADF operations for all sectors in green light RMCs are loans-financed. In yellow light RMCs, where the overall ADF allocations is divided between loans and grants, there remains some room for country teams and country authorities through an enhanced policy dialogue to decide which terms or mix of credits or grants, to apply to any individual operation or sector.

III. ADF-X FINANCING POLICY GUIDELINES

3.1 The ADF-X Financing Policy Guidelines govern all project/program loans and grants, policy-based lending operations, technical assistance operations, and other activities of the Fund prepared for the period 2005-2007.⁵ Under ADF-X, Deputies agreed on a replenishment of UA 3.66 billion (approximately US\$ 5.4 billion) covering the period 2005-2007. This represents about 43.6 percent increase over the actual resources mobilized under ADF-IX (UA 2.55 billion).

3.2 The actual ADF-X resources available for allocation are derived by first deducting allocations earmarked for special purposes, such as the allocation for the

¹ See ADF: *Possible Implications for ADF-X Financing Terms of Adopting Revised Debt Thresholds and Placing a Cap on Grants*, ref.: ADF-X/CM.4/2004/01/Add.

² For more information, please see section II of the ADF-X MTR paper on "Progress Report on Application of Debt Sustainability Framework".

³ See Board Document: *Enhanced Performance-Based Allocation Framework for ADF-X (Revised)* Ref.: ADF/BD/WP/93/Rev.1, dated 05 July 2006.

⁴ A detailed account of the PBA system, the DSF, the Classification of RMCs in 2005 and 2006, and the country allocations are presented in the MTR papers on "The Enhanced PBA Framework: Emerging Issues and Challenges"; and "Progress Report on Application of the Debt Sustainability Framework".

⁵ See ADF/BD/WP/2005/55, dated May 11, 2005.

Post Conflict Countries Facility (PCCF), regional projects, and exchange rate contingencies.⁶ Under this framework, the total resources available for allocation to the 40 ADF-eligible RMCs is estimated at about UA 2.8 billion. Annex I shows that the grant allocations of the available ADF resources is UA 984.7 million and UA 823.8 million, respectively, for 2005 and 2006.

Key Features of the ADF-X Grant Framework

3.3 The ADF-X grants system represents a marked innovation in the way ADF allocates concessional resources to its RMCs. It comprises (i) a grant eligibility system that directly addresses countries' debt carrying capacity, based on their risk of debt distress; and (ii) a grant allocation system that determines countries' terms of assistance but also affects the total amounts they receive. Up to 95 percent of the available resources is allocated to 38 Category A countries, and the remaining 5 percent to 2 Category B countries as directed by the Deputies under ADF-X and previous ADF replenishments.

3.4 The relationship between the ADF-X grant allocation and the enhanced PBA system works through two channels: (i) one involving a volume discount on grant allocations, and (ii) the other involving a reallocation of the resources from the volume discount. During the ADF-X discussions, this approach was termed as the 'modified volume approach' (MVA). These elements interact with the PBA by ultimately affecting ADF-X allocation volumes as well.

3.5 The volume discount works as follows: (i) a 20 percent upfront volume discount is applied to ADF "yellow and red" countries' overall grant allocations; and (ii) this percentage is broken down into a 12 percent charges-related component and an 8 percent incentive component. For post conflict countries, the exception is to apply only the 12 percent volume discount to their total available grants. The 12 percent charges-related volume discount represents the present value of forgone income on grants. The 8 percent "incentives-related" discount aims to preserve the integrity of the incentive system embedded in the enhanced PBA. As a result, its total amount is re-allocated to all the 38 ADF-only eligible RMCs.

3.6 There are two elements to the financing arrangements for ADF-X. First, the foregone principal flows due to the ADF-X will be financed through additional donor contributions in future replenishments, and second the foregone charges will be financed through the 20 percent volume discount on grants. The primary source of financial risk for ADF-X grant financing is future donor compensation for the foregone principal inflows. There is therefore the need for real increases in future ADF replenishments.

3.7 The volume of foregone reflows due to the increased grant component of ADF-X operations is estimated at about UA 1 billion. Combined with the foregone reflows associated with the increased grant component of ADF-IX, the total foregone reflows are estimated at UA 1.4 billion, as summarized below and in Annex V. It also

⁶ See Section IV of the Board document on the Revised 2006 ADF-X Country Allocations for detailed information on the special allocations ADF/BD/IF/2006/185/Rev.1/Corr.1, dated October 10, 2006.

presents the expected profile of foregone principal reflows in each of the future replenishments, due to the increased grant component in ADF-IX and ADF-X.

Foregone Reflows due to increased grants in ADF-IX
and ADF-X

UA million (nominal terms)

	ADF-IX	ADF-X	Total
Principal Reflows	317.9	810.0	1127.9
Income Reflows	74.4	189.7	264.1
Total	392.3	999.7	1392.0

3.8 Grants will continue to have a significant impact on ADF's future financial capacity and integrity. As a result, appropriate compensation mechanisms are thus required. Under ADF-X and MDRI, the forgone principal reflows will be compensated through additional financing, on a pay-as-you-go basis, over and above the regular contributions in future replenishments. Donor contributions for this will be discussed during the next ADF replenishments.

3.9 Implementation of the new ADF-X grants system since 2005 calls for the increased need to accelerate the learning process on the part of its users and beneficiaries. This includes Bank Group staff, RMCs, sub-regional development banks and donors that are looking into the possibility of implementing a similar DSF-based framework. This will be a significant driver to prevent 'free-riding', an expansion of non concessional and/or commercial loans to ADF grants and MRDI eligible RMCs.

3.10 As highlighted earlier, from the ADF-VII to ADF-IX replenishments, the Fund provided ADF-eligible RMCs with grant resources through the TAF Facility to strengthen their management capacity for institutional capacity building, and the participation of women in developmental activities. This Facility contributed to enhancing the Fund's operational efficiency and effectiveness. However, under ADF-X, no initial resources were allocated or earmarked to the TAF. But, in 2005, on the basis of the past positive impact of TAF on development effectiveness, the Boards approved an UA 80 million Technical Assistance Grant Facility set up under ADF-X to provide grant financing for technical assistance activities for project cycle activities and institutional capacity building for ADF loan-only countries which are not eligible for ADF-X grant resources.⁷

IV. THE UTILIZATION OF ADF-X GRANT RESOURCES

4.1 This section discusses the results of the implementation of the ADF-X grants framework since the entry into effectiveness of ADF-X from 2005 to 2006.⁸ It also provides a summary analysis of ADF grant utilization during the same period.

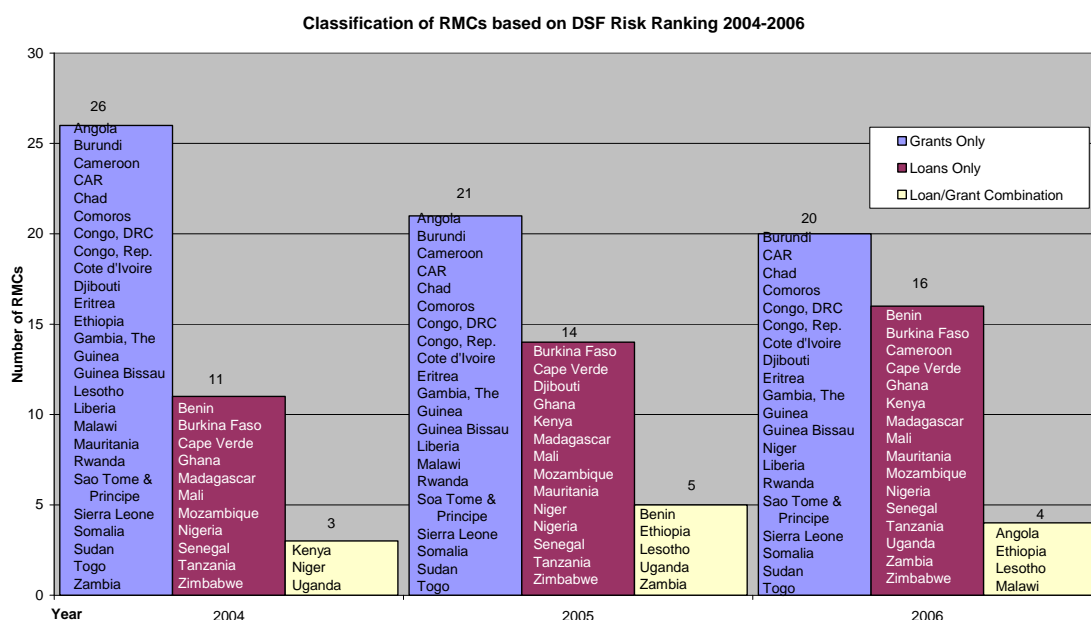
⁷ Refer to Board Document: Proposals for Access to ADF-X Grant Resources for Financing Technical Assistance Activities, Ref.: ADF/BD/WP/2005/133/Rev. 1.

⁸ As noted in paragraph 1.1, the operational outcomes and policy issues associated with the implementation of this new grant framework are discussed in greater detail in the three other ADF-X MTR Papers for discussion.

Looking into both the 2005 grant usage as well as estimates for 2006 grant allocations and approvals as of end-December 2006, some general observations can be made.

4.2 Figure 1 shows that the number of grant-only RMCs has declined from 26 as estimated during the ADF-X replenishment consultations in 2004 to 20 in 2006, in contrast with the number of ADF loan only countries that has increased from 11 to 16 during the same period under review. However, the number of RMCs with a blend of loan/grant combination has stagnated, marginally varying from 3 in 2004 to 4 in 2006. The combined effect of these dynamic shifts has resulted in the reduction of the estimated share of grants in the total available ADF-X resources. It shows a decreasing trend from 44.29 percent projected at the end of the ADF-X replenishment consultations in 2004, to 34.29 percent in 2005, and is now estimated at 28.35 percent for 2006.

Figure 1.



4.3 With the HIPC and MDRI debt relief initiatives, the level of debt distress in the 20 grant-only RMCs is likely to decline as the number of decision and completion points countries is expected to continue to rise over the ADF-XI period and beyond. Within this framework, the new ADF-X grant system continues to increase the need for close coordination with other sources of financing to ADF RMCs. In particular, financing by other creditors, in particular bilateral and commercial donors to these countries needs to be provided in terms and volumes compatible with the overarching goal of achieving debt sustainability. Otherwise, the primary goal of the new grant system would not be sustainable. Some progress has been made in increasing coordination between ADF and the Bretton Woods Institutions, in particular, through the adoption of the DSF as the basis of shared grants framework. But more needs to be done, however, particularly in the light of the free-rider issues discussed in the section on Emerging Issues of the paper on ADF-X MTR Progress Report on the Application of the DSF.⁹

⁹ Please see the Paper on “Enhanced Performance-based Allocation Framework: Emerging Issues, Challenges and the Way Forward” for a detailed discussion of the issues relating to the PBA.

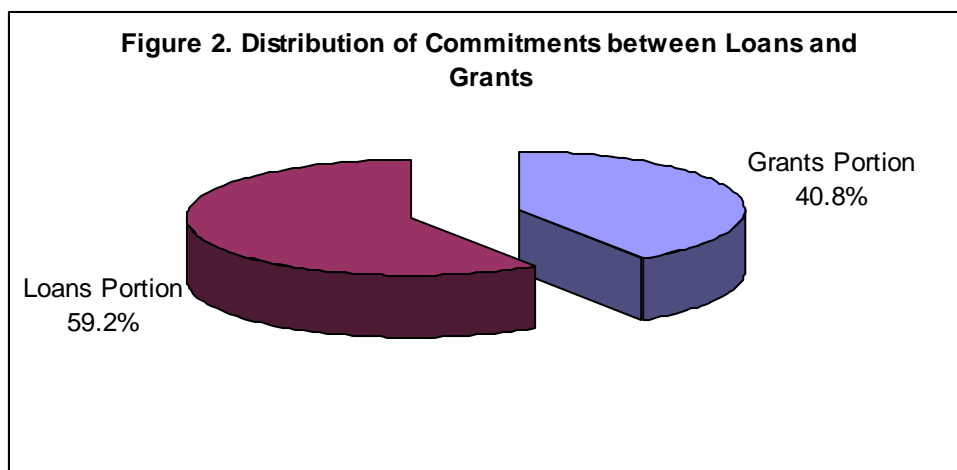
4.4 Table 1 shows that as at end-December 2006, the Fund's Board of Directors would have approved a total of 105 projects under ADF-X amounting to UA 2.22 billion.¹⁰ With more than 60.8 percent of the ADF-X resources committed as at end December 2006, the Fund is well on track to commit all its resources at the end of the ADF-X cycle. The grants approvals are expected to amount to UA 906.8 million, and the loans approvals, over UA 1.31 billion. As well, Figure 2 highlights that 59.2 percent of the commitments are in the form of loans and 40.8 percent in the form of grants.

4.5 Recipients of the 60 stand alone ADF grants from 2005 to 2006, including 15 multinational operations, are among the poorest RMCs. These countries account for about 76 percent of the grants allocated to the RMCs with high risk of debt distress, compared with 24 percent allocated to RMCs with medium risk of debt distress. Among these countries, Ethiopia gets the largest share of total grants in 2006 about UA 127.70 million, followed by DRC at UA 88.95 million, and Cameroon at UA 70.60 million. Uganda gets UA 60 million and Malawi UA 45.0 million.

Table 1. Composition of ADF-X Approvals through end of December 2006.

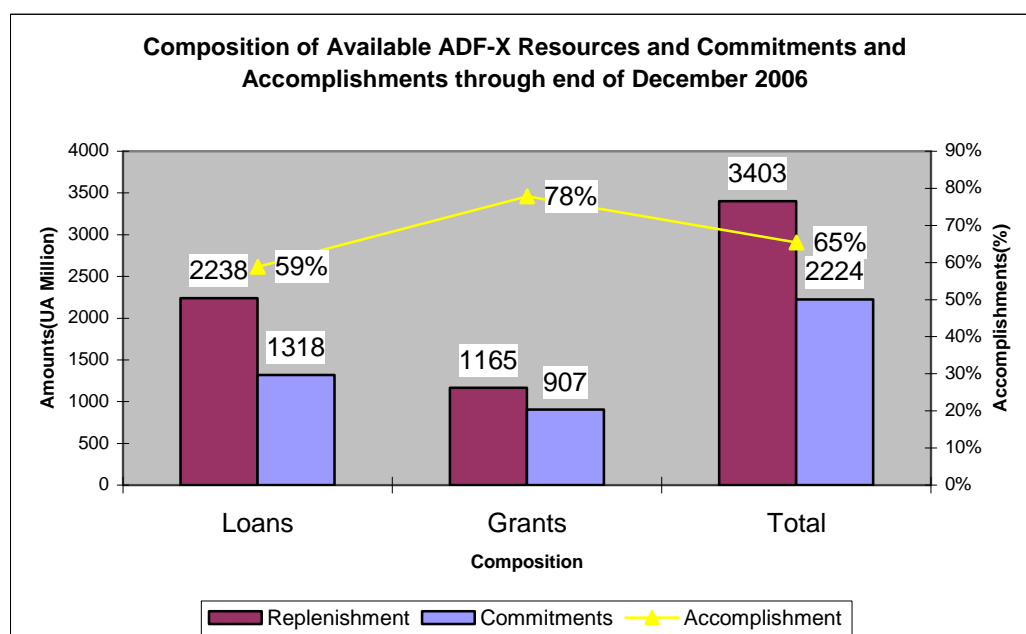
Type of Approval	No. of Approvals	Fund Resources (Millions of UA)		Total of Fund's Resources (Millions of UA)
		Grants Portion	Loans Portion	
Stand-Alone Grants	60	809.45		809.45
Stand-Alone Loans	35		1,047.54	1,047.54
Blend of Grants and Loans	10	97.34	270.17	367.51
TOTAL APPROVALS	105	906.80	1,317.70	2,224.50

¹⁰ Annex II presents a detailed list of ADF grant operations approved by the Board of Directors, including projections up to end-December 2006. Each operation is identified by its beneficiary country, its descriptive title, the targeted sector, the lending instrument, and the financing mix of Fund resources.



4.6 Figure 3 shows that about 78 percent of the total available grants and 59 percent of the total available loans under the ADF-X have been committed.¹¹ The 2007 Strategic Direction & Indicative Operational Program of the Bank highlights Management's strong commitment to meet all the key ADF-X targets and results, which will be delivered through the ongoing far reaching institutional reforms, with greater focus on implementation. In this framework, the new ADF commitment is estimated at UA 1.23 billion, which is estimated to be the remaining commitment authority under ADF-X.¹²

Figure 3.0

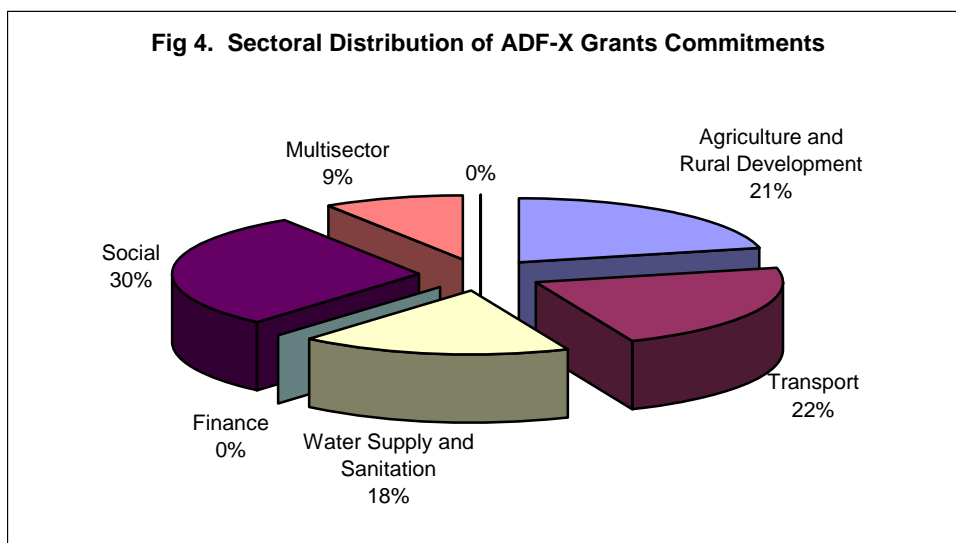


¹¹ A list of Bank Group commitments under ADF-X through end of December 2006 is provided in Annex III.

¹² For more information see ADF/BD/WP/2006/133 of 27 October 2006.

Grant Operations by Sector

4.7 Sector shares of grants approved in Figure 4 and Table 5 demonstrate that even though ADF-X grants were not earmarked for specific operational priorities, the utilization of the grants falls in line with the operational priorities defined by the Deputies. Most noticeably, the infrastructure, including transport (22%), water and sanitation, and power (18%), are receiving the largest share of grants at 40%, followed by the social sector at 30 percent, agriculture and rural development at 21 percent, and the multi-sector at 9 percent .¹³



¹³ The utilization of ADF-X resources in general is examined in the paper on “The Implementation of the Operational Priorities under ADF-X”.

Table2 : Distribution of ADF-X Grant Approvals by Sector for the Period 2005-2006
(UA million, unless otherwise specified)

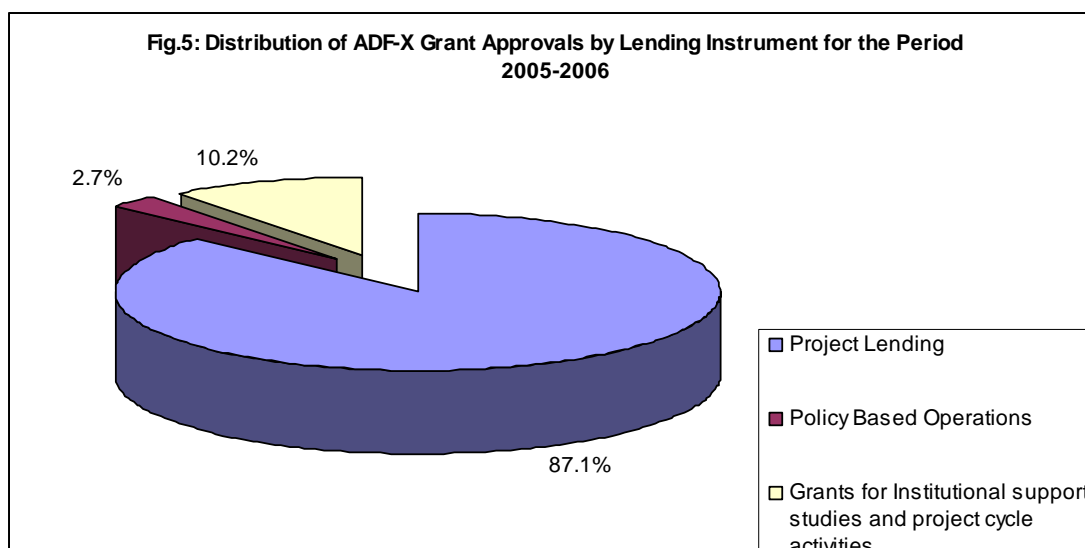
Sector	Stand-Alone Grant		Other Grant		TOTAL	
	Amount	%	Amount	%	Amount	%
Agriculture and Rural Development	159.4	19.7%	34.2	35.1%	193.6	21.3%
Industry, mining and quarrying	-	0.0%	-	0.0%	-	0.0%
Transport	153.8	19.0%	47.3	48.6%	201.1	22.2%
Water Supply and Sanitation	150.2	18.6%	10.0	10.3%	160.2	17.7%
Power Supply	2.6	0.3%	-	0.0%	2.6	0.3%
Communication	-	0.0%	-	0.0%	-	0.0%
Finance	0.3	0.0%	-	0.0%	0.3	0.0%
Social	264.9	32.7%	-	0.0%	264.9	29.2%
<i>Education</i>	94.0	11.6%	-	0.0%	94.0	10.4%
<i>Health</i>	62.0	7.7%	-	0.0%	62.0	6.8%
<i>Population and Nutrition</i>	-	0.0%	-	0.0%	-	0.0%
<i>Gender Equity</i>	2.5	0.3%	-	0.0%	2.5	0.3%
<i>Poverty Alleviation and Micro-Credit</i>	22.8	2.8%	-	0.0%	22.8	2.5%
<i>Other Social</i>	83.6	10.3%	-	0.0%	83.6	9.2%
Environment	-	0.0%	-	0.0%	-	0.0%
Multisector	78.3	9.7%	5.9	6.1%	84.2	9.3%
<i>PRSP</i>	-	0.0%	-	0.0%	-	0.0%
<i>Public Sector Management</i>	17.2	2.1%	5.9	6.1%	23.1	2.5%
<i>Governance</i>	41.8	5.2%	-	0.0%	41.8	4.6%
<i>Institutional Support</i>	16.8	2.1%	-	0.0%	16.8	1.8%
<i>Other</i>	2.5	0.3%	-	0.0%	2.5	0.3%
Total Grants	809.5	100.0%	97.3	100.0%	906.8	100.0%

Grant-financed Operations by Lending Instrument

4.8 Grants approval for project lending stood at UA 789.47 million, about 87.1 percent of the committed ADF-X grant resources by end 2006, compared with UA 92.2 million or 10.2 percent for Institutional support, studies and project cycle activities. Grant approvals for policy based operations remains weak at UA 24.87 million, about 2.7 percent of total grants financing.

Table 3 : Distribution of ADF-X Grant Approvals by Financing Instrument for the Period 2005-2006
(UA million, unless otherwise specified)

Lending Instrument	Stand-Alone Grant		Other Grant		TOTAL	
	Amount	%	Amount	%	Amount	%
Specific Investment Operations	578.18	71.43%	71.90	73.86%	650.08	71.7%
Sector Investment Operations	139.39	17.22%	-	-	139.39	15.4%
Lines of Credit	-	0.00%	-	-	-	0.0%
Policy Based Operations	24.87	3.07%	-	-	24.87	2.7%
Project Preparation Facility (PPF)	0.25	0.03%	-	-	0.25	-
Grants for Studies	11.23	1.39%	-	-	11.23	1.2%
Grants for Institutional Support	55.53	6.86%	14.04	14.43%	69.57	7.7%
Grants for Project Cycle Activities	-	-	11.40	11.71%	11.40	1.3%
Total Grants	809.45	100.0%	97.34	100.0%	906.80	100.0%



Grant-financed Operations by Projects

4.9 As highlighted in Table 4, about 36.4 percent of the total commitment is stand-alone grants, whereas 47.1 percent is stand-alone loans, and 16.5 percent represents a blend of grants and loans. The maximum grant approval of UA 83.59 million is for Protection of Basic Services Grants in Ethiopia, followed by a UA 52.45 million Road Rehabilitation Project in DRC. The minimum grant approval is UA 0.25 million for a project preparation facility project in Mozambique to support a grassroots community capacity building project. The average size of UA 13.49 million for grant approvals is considerably higher than the UA 2.02 million average size of grant approvals for the ADF-IX. This indicates that ADF-X grants are being used to finance fewer but larger size projects/programs relative to the ADF-IX cycle consistent with the strategic objectives and guiding principles of the Bank Group.

Table 4. Distribution of ADF-X Approvals between Stand-Alone Grants, Stand-Alone Loans and Blend of Loans and Grants (End-December 2006)

Type of Approval	No. of Approvals	Fund Resources (Millions of UA)		Total of Fund's Resources (Millions of UA)	% Distribution of Total Approvals	Maxi. Amount (Mill. of UA)	Min. Amount (Mill. of UA)	Average Amount per approval (Millions of UA)
		Grants Portion	Loans Portion					
Stand-Alone Grants	60	809.45		809.45	36.4%	83.59	0.25	13.49
Stand-Alone Loans	35		1,047.54	1,047.54	47.1%	80.00	6.33	29.93
Blend of Grants and Loans	10	97.34	270.17	367.51	16.5%	66.06	4.14	36.75
TOTAL APPROVALS	105	906.80	1,317.70	2,224.50	100.0%	83.59	0.25	21.19

Distribution of Grants by Region

4.10 Central Africa has received the largest share of grants with 35.4 percent, followed by East and West Africa respectively with 24.5 percent and 22.3 percent. These three sub-regions that represent more than 75 percent of the post conflict countries and fragile states account for more than 82.0% of the total grants approved, compared with 15.6 percent for the Southern region. Other regions account for the remainder as indicated in Table 5 below.

Table 5. Distribution of ADF-X Grant Approvals by Region for the Period 2005-2006
(UA million, unless otherwise specified)

Region	Stand-Alone Grant		Other Grant		TOTAL	
	Amount	%	Amount	%	Amount	%
CENTRAL	321.15	39.68%	-	0.00%	321.15	35.4%
EAST	207.29	25.61%	14.65	15.05%	221.95	24.5%
NORTH	-	0.00%	-	0.00%	-	0.0%
SOUTH	141.21	17.45%	-	0.00%	141.21	15.6%
WEST	119.44	14.76%	82.69	84.95%	202.13	22.3%
MULTI-REGION	20.36	2.52%	-	0.00%	20.36	2.2%
Total Grants	809.45	100.0%	97.34	100.0%	906.80	100.0%

ADF-X Grant Utilization by Country HIPC Status

4.11 From the point of view of HIPC status, the 16 completion point RMCs now eligible for the MDRI received 43.8 percent of the grant approvals from 2005 to 2006, against 25.8 percent for the 8 decision point RMCs. Seven RMCs have not yet committed any of their grant allocations. These include countries in chronic areas or in crises, and at pre-decision point under the enhanced HIPC Initiative, such as Comoros, Côte d'Ivoire, Liberia, Somalia and Sudan. Djibouti and Eritrea complete the list. Because of political circumstances and volatility, project processing is help up in most of these major grant recipient RMCs. The idle resources that would remain would be re-allocated to performing countries with greater absorptive capacity based on the PBA system.¹⁴ However in some of these RMCs, such as Liberia and the Central African Republic, the pace of grant utilisation is expected to pick up and improve further in 2007 and most likely beyond during the ADF-XI period if good governance and sound macro-economic, social and institutional reforms keep taking a strong hold in them.

¹⁴ Refer to Eligibility Criteria for Reallocation of ADF-X Resources in Board Document ADF/BD/WP/2005/93/Rev.1, dated 5 July 2006, Section 3.8.

Table 6. Distribution of ADF-X Grant Approvals by HIPC's Status for the Period 2005-2006
(UA million, unless otherwise specified)

HIPC's Status	Stand-Alone Grant		Other Grant		TOTAL	
	Amount	%	Amount	%	Amount	%
COMPLETION POINT	366.56	45.29%	30.90	31.74%	397.46	43.8%
DECISION POINT	233.99	28.91%	-	0.00%	233.99	25.8%
PRE-DECISION POINT	25.80	3.19%	-	0.00%	25.80	2.8%
OTHER NON HIPC's COUNTRIES	22.72	2.81%	1.90	1.96%	24.62	2.7%
MULTINATIONAL	160.38	19.81%	64.54	66.30%	224.92	24.8%
Total Grants	809.45	100.0%	97.34	100.0%	906.80	100.0%

4.12 Overall, 4 grant eligible RMCs, namely, Angola, Ethiopia, Chad, and Malawi, have over-committed their grant allocations, against 7 other RMCs that have no commitments made to date. Some 13 RMCs have still some remaining balances in their total grants allocations.¹⁵

Table 7. Frequency Distribution of the Remaining Balance of ADF-X Grant Allocations of Eligible RMCs

Class Limits (%)	No. of Countries (Frequency)
Deficit	4
0.0	7
1 – 100	13
TOTAL	24

Grant allocations to Multinational Operations

4.13 Regional co-operation and integration is one of the priority areas of ADF operations. Actual commitments in the form of grants amount UA 422.44 million out of a total volume of loans and grants of UA 531.41 million, equivalent to 15 percent of net ADF-X replenishment resources, which were earmarked for allocation to regional projects. The grants share of the funding for 20 multinational projects amounts to UA 224.9 million, equivalent to 42.3 percent of the total resources available for multinational operations. This is equivalent to about 6 percent of net ADF-X replenishment resources.

4.14 Management is stepping up efforts to improve the level of approvals for multinational operations for both grants and loans, with a special emphasis on regional public goods, such as shared river basins initiatives, HIV/AIDs related issues, watershed management projects, trade and transport facilitation projects, and promotion of science and technology for agriculture development in Africa, and prevention of and fight against transboundary animal diseases. Up to 79.5 percent has already been committed for multinational operations over the past 24 months. This augurs well that the share of multinational projects in the overall ADF net envelop

¹⁵ Refer to the papers on “ The Performance Based Allocation (PBA) System” and “The Debt Sustainability Framework” for issues relating to Predictability of Country Allocations.

will fall in line within the 15 percent target established in the ADF-X Policy Guidelines by the end of 2007.¹⁶

Table 8. Statement of Multinational Operations Approvals through end December 2006

Type of Approval	No. of Approvals	Fund Resources (Millions of UA)		Total of Fund's Resources (Millions of UA)	% Distribution of Total Approvals	Maxi. Amount (Mill. of UA)	Min. Amount (Mill. of UA)	Average Amount per approval (Millions of UA)
		Grants Portion	Loans Portion					
Stand-Alone Grants	15	160.38		160.38	38.0%	30.20	1.67	10.69
Stand-Alone Loans	1		27.82	27.82	6.6%	27.82	27.82	27.82
Blend of Grants and Loans	5	64.54	169.70	234.24	55.4%	66.06	20.00	46.85
TOTAL APPROVALS	21	224.92	197.52	422.44	100.0%	66.06	1.67	20.12

4.15 It is important to underscore that most of 20 multinational projects financed by stand-alone grants or blend of grants and loans are in infrastructure projects, potable water and sanitation, and rural roads to enhance access to social services and improve the livelihood for poor rural communities, with a special emphasis on post conflict countries and fragile states. These projects will clearly strengthen and deepen the impact of ADF assistance to its targeted RMCs for achieving a growing number of the Millennium Development Goals (MDGs). The maximum approval is UA 30.2 million for the Rwanda-Burundi-Kicukiro-Kirundo Road Project, and the minimum of UA 1.67 million is for a Study on Infrastructure Development under NEPAD's medium to Long-Term Strategic Framework (MLTSF). The average grant per project is UA 11.25 million. Four (4) other multinational projects financed by a blend of loans and grants include the maximum approval of UA 66.06 million for a Mali-Senegal Road Corridor Project, followed by the Kenya-Tanzania Arusha Namanga Athi River project of UA 56.78 million, and the Road Project Labé-Sériba-Médina Gounas of UA 56.40 million. The average size per approval is (UA 20.12) million, which is significantly higher than the UA 7.71 million average size of funding for multinational operations during the ADF- IX period.

V. Conclusions and Issues for discussion

5.1 There has been continuing improvement in the coverage and implementation of the new ADF-X grant system in support of a stronger focus on results culture across the Bank Group and its RMCs. As well, ADF-X grants are being used for fewer but bigger size projects/programs relative to ADF-IX. However, gaps still remain, especially taking into account the special of some RMCs, such a post conflict countries and fragile states. For instance, because of their availability, forward-

¹⁶ Please Refer to the Paper on "Implementation of the Operational Priorities under ADF-X" for a detailed discussion on the utilization of ADF-X resources by Sector and Priority Areas.

looking Debt sustainability Analysis (DSAs) are becoming the key drivers for determining grant eligibility for the 40 ADF countries.¹⁷ In these conditions, the total amount of grants to be provided in ADF-X depends not only on the number of grant eligible RMCs, but also on the total amount of ADF resources committed for such countries over the ADF-X period. Therefore, even when grant eligibility is clearly established, there remains some uncertainty and predictability as to both the eligibility and the availability of grant resources for eligible RMCs from one year to the other. The situation is compounded by reallocation of the forgone debt relief under the MDRI, which can also be interpreted as a way of providing implicit grants to beneficiary RMCs even if they are loan-only countries.

5.2 The combined impact of these uncertainties has some major programming effects on the size and composition of projects. However, by using the built-in flexibility of the front and back loading option allowed by the enhanced PBA policy and resources released through loan savings and cancellations through portfolio clean-up, these effects could be absorbed with minimal impact. Some adjustments were proposed for 2006. Further adjustments and fine tuning may be necessary for 2007 and beyond. The regular MBDs annual meeting on debt issues will continue to discuss policy and operational issues involved in establishing financial terms of assistance to low-income countries based on debt sustainability considerations.

5.3 It is also important to highlight that the primary financial risk from ADF-X grant financing relates to future donor compensation of forgone principal reflows, especially to ensure additionality of such financing over regular donor contributions in future ADF replenishments. This is a risk that needs to be addressed by the donor community as it was agreed to use a baseline for compensation under the MDRI. That baseline has been set at the level of regular ADF-X donor contributions, in real UA terms.¹⁸

5.4 Deputies may wish to express their views regarding the effectiveness of the financing mechanism of forgone credit reflows due to grants adopted in ADF-X.

¹⁷ See Annex VI.

¹⁸ See ADF Deputies Report on “Additions to ADF Resources - Financing the Multilateral Debt Relief Initiative” Appendix II of ref.: ADF/BD/WP/2006/31, dated 5 April 2006 .

ANNEXI

2005 and 2006 ADF-X Country Allocations and Loan/ Grant Shares for the 40 RMCs based on the DSF and the PBA Exercise.
(Millions of UA)

2005 ADF-X Country Allocations						2006 ADF-X Country Allocations					
	Countries/Classifications	DSF Traffic Light Ranking	2005 ADF-X Allocation				Countries/Classifications	DSF Traffic Light Ranking	2006 ADF-X Allocation		
			Loans	Grants	Total				Loans	Grants	Total
	<i>Low Risk of Debt Distress</i>						<i>Low Risk of Debt Distress</i>				
1	Burkina Faso	Green	113.0	-	113.0	1	<i>Benin</i>	Green	51.8	-	51.8
2	Cape Verde	Green	9.8	-	9.8	2	Burkina Faso	Green	92.9	-	92.9
3	Djibouti	Green	8.9	-	8.9	3	<i>Cameroon</i>	Green	105.7	-	105.7
4	Ghana	Green	191.2	-	191.2	4	Cape Verde	Green	10.3	-	10.3
5	Kenya	Green	178.3	-	178.3	5	Ghana	Green	160.3	-	160.3
6	Madagascar	Green	102.2	-	102.2	6	Kenya	Green	211.4	-	211.4
7	Mali	Green	124.3	-	124.3	7	Madagascar	Green	97.7	-	97.7
8	Mozambique	Green	179.8	-	179.8	8	Mali	Green	110.3	-	110.3
9	Mauritania	Green	20.5	-	20.5	9	Mozambique	Green	160.4	-	160.4
10	Niger	Green	69.8	-	69.8	10	Mauritania	Green	15.7	-	15.7
11	Nigeria	Green	138.0	-	138.0	11	Nigeria	Green	141.955	-	141.955
12	Senegal	Green	120.0	-	120.0	12	Senegal	Green	111.8	-	111.8
13	Tanzania	Green	283.9	-	283.9	13	Tanzania	Green	294.8	-	294.8
14	Zimbabwe	Green	12.5	-	12.5	14	<i>Uganda</i>	Green	210.0	-	210.0
						15	<i>Zambia</i>	Green	69.2	-	69.2
						16	Zimbabwe	Green	8.6	-	8.6
	<i>Moderate Risk of Debt Distress</i>						<i>Moderate Risk of Debt Distress</i>				
1	Benin	Yellow	29.1	23.4	52.5	1	<i>Angola</i>	Yellow	18.1	17.0	35.1
2	Ethiopia	Yellow	157.3	127.2	284.5	2	Ethiopia	Yellow	152.2	122.5	274.7
3	Lesotho	Yellow	9.1	7.3	16.4	3	Lesotho	Yellow	8.3	7.0	15.4
4	Uganda	Yellow	113.9	91.6	205.5	4	<i>Malawi</i>	Yellow	34.1	25.8	59.9
5	Zambia	Yellow	25.4	21.3	46.7						

ANNEX I

2005 and 2006 ADF-X Country Allocations and Loan/ Grant Shares for the 40 RMCs based on the DSF and the PBA Exercise. (Cont'd)
(Millions of UA)

2005 ADF-X Country Allocations						2006 ADF-X Country Allocations					
	Countries/Classifications	DSF Traffic Light Ranking	2005 ADF-X Allocation				Countries/Classifications	DSF Traffic Light Ranking	2006 ADF-X Allocation		
			Loans	Grants	Total				Loans	Grants	Total
	<i>High Risk of Debt Distress</i>						<i>High Risk of Debt Distress</i>				
1	Angola	Red	-	36.6	36.6	1	Burundi	Red	-	35.6	35.6
2	Burundi	Red	-	28.3	28.3	2	Central African Republic	Red	-	9.8	9.8
3	Cameroon	Red	-	99.3	99.3	3	Chad	Red	-	26.3	26.3
4	Central African Republic	Red	-	10.2	10.2	4	Comoros	Red	-	5.3	5.3
5	Chad	Red	-	47.1	47.1	5	Congo, DRC	Red	-	237.7	237.7
6	Comoros	Red	-	5.1	5.1	6	Congo, Republic of	Red	-	17.3	17.3
7	Congo, DRC	Red	-	182.3	182.3	7	Cote D'Ivoire	Red	-	16.8	16.8
8	Congo, Republic of	Red	-	18.8	18.8	8	<i>Djibouti</i>	Red	-	7.3	7.3
9	Cote D'Ivoire	Red	-	19.4	19.4	9	Eritrea	Red	-	21.2	21.2
10	Eritrea	Red	-	20.1	20.1	10	Gambia	Red	-	9.4	9.4
11	Gambia	Red	-	10.8	10.8	11	Guinea	Red	-	27.9	27.9
12	Guinea	Red	-	32.9	32.9	12	Guinea Bissau	Red	-	7.1	7.1
13	Guinea Bissau	Red	-	5.8	5.8	13	Liberia	Red	-	9.4	9.4
14	Liberia	Red	-	7.0	7.0	14	<i>Niger</i>	Red	-	59.3	59.3
15	Malawi	Red	-	47.0	47.0	15	Rwanda	Red	-	58.0	58.0
16	Rwanda	Red	-	56.6	56.6	16	Sao Tome & Principe	Red	-	4.5	4.5
17	Sao Tome & Principe	Red	-	5.3	5.3	17	Sierra Leone	Red	-	35.1	35.1
18	Sierra Leone	Red	-	29.7	29.7	18	Somalia	Red	-	5.3	5.3
19	Somalia	N/A	-	5.3	5.3	19	Sudan	Red	-	48.1	48.1
20	Sudan	Red	-	35.3	35.3	20	Togo	Red	-	10.3	10.3
21	Togo	Red	-	11.0	11.0						
	TOTAL		1,887.1	984.7	2871.8		TOTAL		2065.5	823.8	2,889.3

The 8 coloured RMCs changed classification from 2005 to 2006.

ANNEX II
BANK GROUP'S COMMITMENT UNDER ADF-X: PROJECTION THROUGH END DECEMBER 2006

N°.	PROJECT DESCRIPTION	SECTOR	INSTRUMENT		AMOUNTS (UA Million)			
					LOANS	GRANTS	TOTAL	
1	ANGOLA	Bom Jesus-Calenga Rural development Project	AB		GPL		17.20	17.20
2	BENIN	Appui aux institutions de contrôle budgétaire	KA		GGI		2.50	2.50
3	BENIN	Appui Gestion forêt communales	AAD	PL	GPL	19.24	15.76	35.00
4	BENIN	PAS-Réduction de la Pauvreté-Phase II	KA	SL	GGI	9.86	5.14	15.00
5	BURKINA FASO	Appui au développement de la santé rurale	IBZ	PL		25.00		25.00
6	BURKINA FASO	The Third Poverty Reduction Strategy Support Programme (PASRP III)	KZ	DBSL		30.00		30.00
7	BURKINA FASO	Projet de dévelop, agricole la zone Gnagna Kouritenga- Piela Bilanga -II	AB	PL		12.50		12.50
8	BURKINA FASO	Projet d'appui aux institutions chargées de la gestion des ressources publiques	KF		GGI		2.50	2.50
9	BURUNDI	The Rural Water Infrastructure Rehabilitation and extension Project	EZ		GPL		12.00	12.00
10	BURUNDI	The Watershed Management Project (PABV)	AAC		GPL		9.00	9.00
11	BURUNDI	Projet d'appui aux réformes économiques et à la gouvernance (PAREG II)	KG		GSL		7.30	7.30
12	CAMEROON	The Yaoundé Sanitation Project	EB		GPL		25.60	25.60
13	CAMEROON	Women Entrepreneurs (GOWE 2)	HB		GGI		0.30	0.30
14	CAMEROON	Projet de route Batibo Bachoua Akagbe	DB		GPL		44.70	44.70
15	CAMEROUN	Programme d'appui aux réformes en matière de Gouvernance	KG	SL		29.00		29.00
16	CAPE VERDE	Programme d'appui à la réduction de la pauvreté et appui Institutionnel Gestion économique	KA	SL	GGI	3.39	0.75	4.14
17	CENTRAL AFRICAN REPUBLIC	Appui Institutionnel	KF		GGI		3.30	3.30
18	CHAD	Programme d'appui à la Gouvernance et renforcement des capacités	KG		GSL		20.50	20.50
19	CHAD	Projet Pêche	AAF		GPL		10.00	10.00
20	CHAD	Initiative de l'AEPA en milieu rural	EZ		GPL		13.00	13.00
21	CONGO, DEM. REP. OF	Etude Pêche et Elevage	AAE		GGI		1.50	1.50
22	CONGO, DEM. REP. OF	Réhabilitation du secteur agricole et rural dans les provinces du Katanga, Kasai Oriental et Kasai Occidental	AZ		GSI		35.00	35.00
23	CONGO, DEM. REP. OF	The Nsele-Lufimi and Kwango-Kenge Roads Réhabilitation Project	DB		GPL		52.45	52.45

ANNEX II (cont'd)
BANK GROUP'S COMMITMENT UNDER ADF-X: PROJECTION THROUGH END DECEMBER 2006

N°.	PROJECT DESCRIPTION		SECTOR	INSTRUMENT		AMOUNTS (UA Million)		
						LOANS	GRANTS	TOTAL
24	CONGO, REP. OF	Projet d'appui a l'amélioration du circuit de la dépense et des indicateurs de la pauvreté (PACDIP)	KZ		GGI		2.50	2.50
25	CONGO, REP. OF	Soci-Economic reintegration of Disadvantaged Groups	IE		GPL		14.80	14.80
26	ETHIOPIA	Rural Water Supply and Sanitation Programme	EZ		GPL		43.61	43.61
27	ETHIOPIA	Protection Basic Services Grant	IZ		GSI		83.59	83.59
28	ETHIOPIA	Jimma-Mizan Road Upgrading	DB	PL		61.00	-	61.00
29	ETHIOPIA	Universal Electricity Access Project (UEAP)	FA	PL		80.00		80.00
30	GAMBIA	Entrepreneurship Development & Livelihood Promotion Project	IE		GPL		8.00	8.00
31	GHANA	Poverty Reduction Support Loan	KZ	SL		44.00		44.00
32	GHANA	Urban Poverty Reduction & Decentralisation	IZ	PL		25.00		25.00
33	GHANA	The Accra Sewerage Improvement Project (ASIP)	EB	PL		46.00		46.00
34	GHANA	Afram Plain Development	AB	PL		23.00		23.00
35	GUINEA	Reaménagement voies aeroport Gbessia	DB		GPL		8.25	8.25
36	GUINEA	Appui au développement de l'éducation de base-Education IV	IA		GPL		14.00	14.00
37	GUINEA	Etude pour la formulation du programme national d'alimentation en eau en milieu rural (AEP)	EZ		GGI		1.00	1.00
38	GUINEA	Appui institutionnel et promotion de la Gouvernance	KG		GGI		2.50	2.50
39	GUINEA-BISSAU	Agricultural and Rural Sector Rehabilitation Project - North, West and East Regions/Projet de rehabilitation du secteur agricole et rural, regions nord, oust et est (PRESAR) (ADF/BD/WP/2005/74)	AZ		GSI		5.80	5.80
40	KENYA	Green Zones Development Support Project	AZ	PL		25.04		25.04
41	KENYA	Kimira-Oluch Smallholder Farm Improvement	AAA	PL	GGI	22.98	1.15	24.13
42	KENYA	Inst. Support for Good Governance (re-appraisal)	KG		GGI		5.52	5.52
43	LESOTHO	Likalaneng-Thaba Tseka Road Upgrading Project	DB	PL		6.83		6.83
44	LIBERIA	Inst. Support for Economic Management and Good Governance	KG		GGI		3.00	3.00
45	MADAGASCAR	Projet d'appui aux communautés des pêcheurs	AAF	PL		6.33		6.33
46	MADAGASCAR	Initiative de l'eau et de l'assainissement dans les zones rurales	EZ	PL		51.00		51.00

ANNEX II (cont'd)
BANK GROUP'S COMMITMENT UNDER ADF-X: PROJECTION THROUGH END DECEMBER 2006

N°.	PROJECT DESCRIPTION		SECTOR	INSTRUMENT		AMOUNTS (UA Million)		
						LOANS	GRANTS	TOTAL
47	MADAGASCAR	Premier Programme d'appui budgétaire à la réduction de la pauvreté	KZ	DBSL		35.00		35.00
48	MALAWI	Rural Health Project IV	IBZ		GPL		15.00	15.00
49	MALAWI	Support to Secondary Education (Education V)	IAC		GPL		15.00	15.00
50	MALAWI	Irrigation and Conservation Development	AAC		GPL		15.00	15.00
51	MALI	Projet de Dév. Rural de Baguineda	AB	PL		14.92		14.92
52	MALI	PAS IV	KA	SL		35.00		35.00
53	MALI	The Community Development Support Project in the Kayes and Koulikoro Regions (PADEC)/Projet d'appui au développement communautaire dans les regions de Kayes et Koulikoro	AB	PL		15.00		15.00
54	MAURITANIA	AEPA en milieu rural	EZ	PL		9.70		9.70
55	MOZAMBIQUE	PPF - Grassroots Community Capital Building	AZ		PPF		0.25	0.25
56	MOZAMBIQUE	Women's Entrepreneurship and Skills Development for Food Security - Pilot Project/Projet pilote : Appui à la sécurité alimentaire et développement de l'entreprenariat féminine (ADF/BD/WP/2005/131)	ID		GGI		2.51	2.51
57	MOZAMBIQUE	The Electricity IV Project/Quatrième projet d'électricité (ADF/BD/WP/2006/46 (The Appraisal Report/le rapport d'évaluation)	FA	PL		26.30	-	26.30
58	MOZAMBIQUE	Monteguez-Lichinga Road Project	DB	PL		30.10		30.10
59	MOZAMBIQUE	Budget Support for Good Governance (poverty Reduction Support Loan)	KG	DBSL		60.00		60.00
60	NIGER	Fifth Structural PAS V	KA	SL		18.00		18.00
61	NIGER	The Tibiri-Dakoro and Madaoua-Bouza-Tahoua Roads Rehabilitation Project	DB	PL		22.00		22.00
62	NIGER	Projet valorisation Eaux Regions Dosso Tillabéri	AAC		GPL		13.00	13.00
63	NIGER	Appui institutionnel à la décentralisation	KG		GGI		3.00	3.00
64	NIGERIA	Skills training & Vocational Education Project	IAE	PL		30.00		30.00
65	NIGERIA	National Food Security	AAB	PL		22.00		22.00
66	RWANDA	Projet d'appui au secteur de l'Education	IAZ		GSI		15.00	15.00
67	RWANDA	Projet d'appui au développement agricole de Bugesera	AB		GPL		10.00	10.00
68	SAO TOME & PRINCIPE	Projet appui dével. Elevage II	AAE		GPL		4.00	4.00
69	SENEGAL	Transport Routier	DB	PL		29.00		29.00

ANNEX II (cont'd)
BANK GROUP'S COMMITMENT UNDER ADF-X: PROJECTION THROUGH END DECEMBER 2006

N°.	PROJECT DESCRIPTION		SECTOR	INSTRUMENT		AMOUNTS (UA Million)		
						LOANS	GRANTS	TOTAL
70	SENEGAL	Projet d'AEPA en milieu rural	EZ	PL		25.00		25.00
71	SENEGAL	Prog. Relance des activités rurales en Casamance (PADERCA)	AAZ	PL		20.00		20.00
72	SIERRA LEONE	Economic Rehabilitation and Recovery Program (ERRP)	KA		GPL		10.70	10.70
73	SIERRA LEONE	Support to district health services-III	IBZ		GPL		17.00	17.00
74	SIERRA LEONE	The Matotoka to Sefadu Road Studies and Institutional Support to Transport Sector	DB		GGs		1.99	1.99
75	TANZANIA	Poverty Reduction Support Loan II	KA	PL		50.00		50.00
76	TANZANIA	Rural Water Supply and Sanitation Program/Programme National d'Alimentation en Eau et d'Assainissement en milieu rural (ADF/BD/WP/2006/86) The Appraisal Report (Loan/Prêt)	EZ	PL	GPL	45.00	10.00	55.00
77	TANZANIA	Support to Reduction of Maternal and Newborn Deaths (Health II Project)	IBA	PL		40.00		40.00
78	TOGO	Appui institutionnel	KF		GGI		2.20	2.20
79	UGANDA	The Education III (Support to Post-Primary Educ.&Training Project(PPET) (SWAP)	IAC		GPL		20.00	20.00
80	UGANDA	The Rural Water Supply and Sanitation Programme	EZ		GPL		40.00	40.00
81	UGANDA	Support to Maternal and Mental Health (Health III)	IBA	PL		20.00		20.00
82	UGANDA	Kabale-Kisoro-Bunagan/Kyanika Road	DB	PL		33.00		33.00
83	ZAMBIA	The National Rural Water Supply and Sanitation Program	EZ		GPL		15.00	15.00
84	ZAMBIA	Budget Support	KZ	DBSL		20.00	-	20.00
85	ZMULTINATIONAL	Compétitivité de la filière Coton en Afrique (Afrique centrale et Ouest)	AAG	PL	GGI	28.00	7.00	35.00
86	ZMULTINATIONAL	Botswana-Zambia Kazungula Bridge Study	DB		GGs		2.50	2.50
87	ZMULTINATIONAL	SADC Capacity Building for ODL Delivery	IAH		GGI		10.00	10.00
88	ZMULTINATIONAL	East Africa Trade and Transport Facilitation Project	DZ		GPL		12.00	12.00
89	ZMULTINATIONAL	Projet De Route Labé-Sériba-Médina Gounass (2)	DB	PL	GPL	20.50	35.90	56.40
90	ZMULTINATIONAL	Kenya-Tanzania Arusha Namanga Athi River	DZ	PL	GGA	53.28	3.50	56.78
91	ZMULTINATIONAL	Promotion of science and technology for agricultural development in Africa	AZ		GPL		15.58	15.58
92	ZMULTINATIONAL	Assistance technique AFRITAC	KF		GGI		3.11	3.11

ANNEX II (end)
BANK GROUP'S COMMITMENT UNDER ADF-X: PROJECTION THROUGH END DECEMBER 2006

N°.	PROJECT DESCRIPTION	SECTOR	INSTRUMENT		AMOUNTS (UA Million)			
					LOANS	GRANTS	TOTAL	
93	ZMULTINATIONAL	Programme de reformes des Marchés Publics II-UEMOA	KA		GGI		4.00	4.00
94	ZZMULTINATIONAL	Medium to Long-Term Strategic Framework (MLTSF): Study for Infrastructure Development (NEPAD)	DZ		GGI		1.67	1.67
95	ZZMULTINATIONAL	Appui à l'initiative Bassin lac Tchad-HIV/AIDS	IBE		GPL		10.00	10.00
96	ZZMULTINATIONAL	Route Mali-Sénégal- Kita-Saraya-Kedougou	DB	PL	GGA	58.16	7.90	66.06
97	ZZMULTINATIONAL	Project for Sustainable Management of Endemic Ruminant Livestock in West Africa (The Gambia, Guinea, Mali, Senegal)/Projet de gestion durable du bétail ruminant endémique en Afrique de l'ouest (Gambie, Guinée, Mali, Sénégal) (ADF/BD/WP/2005/144)	AAE	PL	GPL	9.76	10.24	20.00
98	ZZMULTINATIONAL	SADC - Shared Watercourses Support Project for Buzi, Save and Rumuva River Basins/Projet d'appui à la gestion des cours d'eau Transfrontalières des bassins hydrographiques de la Buzi, de la Save et de la Ruvuma (ADF/BD/WP/2005/140)	AAC		GPL		9.38	9.38
99	ZZMULTINATIONAL	SADC Support to HIV/AIDS & TB Programme (revised processing dates)	IBE		GPL		20.00	20.00
100	ZZMULTINATIONAL	SADC- Transboundary Animal Diseases (TADs) Control and Surveillance	AAE		GPL		13.71	13.71
101	ZZMULTINATIONAL	COMESA Public Procurement Enhancement	KF		GGI		5.66	5.66
102	ZZMULTINATIONAL	UEMOA- Projet de développement de l'enseignement supérieur	IAD		GPL		20.00	20.00
103	ZZMULTINATIONAL	BURUNDI/RWANDA - The Kicukiro-Kirundo Road Project/Projet de route Kicukiro-Kirundo	DB		GPL		30.20	30.20
104	ZZMULTINATIONAL	The Nile Basin Initiative - Study on Power Transmission Lines related to the Rusumo Falls Hydropower Station/Initiative du Bassin du Nil - Etude de faisabilité sur les lignes de transmission de l'énergie électrique de la centrale hydroélectrique des chutes de	FAD		GGI		2.57	2.57
105	ZZMULTINATIONAL	The Construction of the Dori-Tera Road-Niamey Corridor Project/Projet d'aménagement de la route Dori-Téra et de facilitation du transport sur le corridor Ouagadougou-Dori-Téra-Niamey	DB	PL		27.82		27.82
	TOTAL					1,317.70	906.80	2,224.50

**ANNEX III ADF-X Country Allocation and Utilization of Grants for the 24 Grant
Eligible RMCs based on DSF and the PBA Exercise
as at end-December 2006**

N°	Country Classification	Allocation and Utilization of Grants (UA Million)			
		Amount Allocated (2006)	Amount Utilized	Remining Balance	Remaining Balance as % of Grant Allocation
	<i>Moderate Risk of Debt Distress</i>				
1	Angola	17.0	17.2	-0.2	-1.2%
2	Ethiopia	122.5	127.2	-4.7	-3.8%
3	Lesotho	7.0	0.0	7.0	100.0%
4	Malawi	28.5	45.0	-16.5	-57.9%
	<i>High Risk of Debt Distress</i>				
1	Burundi	35.6	28.3	7.3	20.5%
2	Central African Rep.	9.8	3.3	6.5	66.3%
3	Chad	26.3	43.5	-17.2	-65.4%
4	Comoros	5.3	0.0	5.3	100.0%
5	Congo, Dem. Rep. Of	237.7	89.0	148.8	62.6%
6	Congo, Rep. Of	17.3	17.3	0.0	0.0%
7	Côte d'Ivoire	16.8	0.0	16.8	100.0%
8	Djibouti	7.3	0.0	7.3	100.0%
9	Eritrea	21.2	0.0	21.2	100.0%
10	Gambia	9.4	8.0	1.4	14.9%
11	Guinea	27.9	25.8	2.2	7.7%
12	Guinea-Bissau	7.1	5.8	1.3	18.3%
13	Liberia	9.4	3.0	6.4	68.1%
14	Niger	59.3	16.0	43.3	73.0%
15	Rwanda	58.0	25.0	33.0	56.9%
16	Sao Tome & Principe	4.5	4.0	0.5	11.1%
17	Sierra Leone	35.1	29.7	5.4	15.4%
18	Somalia	5.3	0.0	5.3	100.0%
19	Sudan	48.1	0.0	48.1	100.0%
20	Togo	10.3	2.2	8.1	78.6%

ANNEX IV : Distribution of ADF-X Grant Approvals by Traffic Light for the Period 2005-2006

(UA million, unless otherwise specified)

Traffic Ligth	Stand-Alone Grant		Other Grant		TOTAL	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
GREEN	158.88	19.63%	32.80	33.70%	191.68	21.1%
YELLOW	189.40	23.40%	-	0.00%	189.40	20.9%
RED	300.79	37.16%	-	0.00%	300.79	33.2%
OTHER (MULTINATIONAL)	160.38	19.81%	64.54	66.30%	224.92	24.8%
Total Grants	809.45	100.0%	97.34	100.0%	906.80	100.0%

Annex: V																	
Foregone Reflows due to increased grants in ADF-IX and ADF-X																	
UA million (nominal terms)																	
	ADF-IX	ADF-X	Total														
Principal Reflows	317.9	810.0	1127.9														
Income Reflows	74.4	189.7	264.1														
Total	392.3	999.7	1392.0														
ADF-IX and ADF-X Increased Grants: Foregone Principal Reflows																	
UA million																	
Period	ADF-XII	ADF-XIII	ADF-XIV	ADF-XV	ADF XVI	ADF XVII	ADF-XVIII	ADF-XIX	ADF-XX	ADF-XXI	ADF-XXII	ADF-XXIII	XXIV	ADF-XXV	ADF-XXVI	ADF-XXVII	Total
ADF-IX	1.3	8.6	9.5	9.7	22.7	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.3	8.9		317.9
ADF-X		3.2	21.9	24.3	24.8	57.8	72.9	72.9	72.9	72.9	72.9	72.9	72.9	72.9	72.1	22.7	810.0
Total	1.3	11.8	31.4	34.0	47.5	86.4	101.5	101.5	101.5	101.5	101.5	101.5	101.5	101.2	81.0	22.7	1127.9
Share of grants																	
ADF-IX	19.7%																
ADF-X (assumed)	30.0%																

Annex VI

ADF Ranking of Debt Distress in 2006 by CPIA & DSF Thresholds with FL-DSA - Traffic Light System

Country Classification	2005 CPIA	GNI Per capita (US\$)	NPV/GDP	NPV/EXP	DS/EXP	Ranking of debt distress		Debt distress country ranking	Debt distress country ranking (Traffic Light)			Final Traffic light
						Avg of NPV	DS/EXP		AfDB*	IDA*	FL-DSA**	
Strong policy: CPIA >= 3.75			50	200	25							
1 Cape Verde	4.21	1770	33	127	10	1	1	1	Green	Green		Green
2 Senegal	4.01	670	19	79	17	1	1	1	Green	Green		Green
3 Tanzania	3.93	330	21	132	6	1	1	1	Green	Green	Green	Green
4 Uganda	3.88	270	30	250	12	2	1	2	Yellow	Yellow	Green	Green
5 Ghana	3.83	380	28	78	7	1	1	1	Green	Green		Green
6 Burkina Faso	3.77	360	19	234	15	1	1	1	Green	Green	Green	Green
Medium policy : 3.25 < CPIA < 3.75			40	150	20							
1 Mali	3.74	360	27	108	8	1	1	1	Green	Green	Green	Green
2 Kenya	3.73	460	28	119	9	1	1	1	Green	Green		Green
3 Benin	3.72	530	20	171	13	1	1	1	Green	Green	Green	Green
4 Lesotho	3.66	740	41	106	10	1	1	1	Green	Green	Yellow	Yellow
5 Rwanda	3.58	220	14	168	16	1	1	1	Green	Green	Red	Red
6 Mozambique	3.58	250	15	56	4	1	1	1	Green	Green		Green
7 Niger	3.48	230	22	157	10	1	1	1	Green	Green	Red	Red
8 Zambia	3.48	450	28	110	27	3	3	3	Red	Red	Green	Green
9 Ethiopia	3.46	110	26	171	8	1	1	1	Green	Green	Yellow	Yellow
10 Madagascar	3.46	300	41	162	7	2	1	2	Yellow	Yellow	Green	Green
11 Cameroon	3.45	800	16	72	17	1	1	1	Green	Green	Green	Green
12 Mauritania	3.40	420	60	215	14	3	1	3	Red	Red	Green	Green
13 Djibouti	3.32	1030	44	102	6	1	1	1	Green	Red		Red
14 Gambia	3.29	290	94	221	19	3	2	3	Red	Red		Red
15 Malawi	3.26	170	60	213	12	3	1	3	Red	Red	Yellow	Yellow
Poor Policy : CPIA < 3.25			30	100	15							
1 Guinea	3.13	460	45	198	21	3	3	3	Red	Red	Red	Red
2 Burundi	3.11	90	14	184	176	3	3	3	Red	Red	Red	Red
3 Sao Tome & Principe	3.05	370	162	452	43	3	3	3	Red	Red		Red
4 Sierra Leone	3.03	200	33	182	14	3	2	3	Red	Red		Red
5 Chad	3.01	260	18	75	4	1	1	1	Green	Green	Red	Red
6 Congo, Rep. Of	2.88	770	205	295	11	3	1	3	Red	Red		Red
7 Congo DRC	2.83	120	31	130	8	3	1	3	Red	Red		Red
8 Guinea-Bissau	2.83	160	269	1001	60	3	3	3	Red	Red		Red
9 Angola	2.73	1030	43	81	19	3	3	3	Red	Red	Yellow	Yellow
10 Sudan	2.62	530	129	899	11	3	1	3	Red	Red		Red
11 Togo	2.59	380	69	191	3	3	1	3	Red	Red		Red
12 Cote d'Ivoire	2.58	770	76	180	6	3	1	3	Red	Red		Red
13 Eritrea	2.54	180	44	422	20	3	2	3	Red	Red		Red
14 Liberia	2.54	110	681	2887	1	3	1	3	Red	Red		Red
15 Central African Republic	2.47	310	66	588	12	3	1	3	Red	Red	Red	Red
16 Comoros	2.42	530	59	422	6	3	1	3	Red	Red		Red
17 Somalia	1.00	90	Red	Red		Red
Blend Countries												
1 Nigeria	3.18	350	69	152	7	3	1	3	Red			Green
2 Zimbabwe	1.90	480	56	250	3	2	1	2	Yellow			Green
Notes:												
	(C)	Ranking of debt distress by mechanical Debt Sustainability Framework (DSF) thresholds against debt burden indicators										
	(D)	IDA loan/grant rankings determined by evidence from forward-looking IMF/IDA DSA field work.										
	FL-DSA	Forward-looking debt sustainability analysis										
	NPV/GDP	NPV of external debt over GDP										
	NPV/EXP	NPV of external debt over exports										
	DS/EXP	Debt service over exports ratio										
	Average	Average of NPV of debt over GDP and NPV of debt over exports										
	Red	Ranking of debt distress by the DSF resulting in 100% grants and no loans										
	Yellow	Ranking of debt distress by the DSF resulting in 50/50 loans and grants proportion										
	Green	Ranking of debt distress by the DSF resulting in 100% loans and no grants										