

ADF-12 Financing Framework II: Discount Rates, Grant Financing, and Replenishment Scenarios

Discussion Paper

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Executive Summary

The ADF-12 Financing Framework II builds on the paper presented in Cape Town. It presents the discount rates that will be used for accelerated encashment and discusses the financing of foregone income and principal resulting from the extension of grants under ADF-12. The paper also revisits the Advance Commitment Capacity (ACC) and presents 5 replenishment scenarios as requested by Deputies at the conclusion of the second ADF-12 consultation meeting.

Discount Rates: The currency-specific Commercial Interest Reference Rates applicable as of 15 April 2010, adjusted downwards by 100 basis points for each of the ADF eligible currencies, will be used to determine the amount to be credited to State participants who opt to accelerate the encashment of their subscriptions. The accelerated encashment model, used by the Fund to compute the discount or the credit applicable to encashments paid in advance, has been revised to better reflect the size and the timing of the cash flows received.

Grant Financing: Management proposes that donors adopt for ADF-12 the same grant compensation framework as for previous replenishments, whereby the foregone income due to grants is compensated by an upfront charge on grants, while foregone principal reflows are offset as they arise during future replenishments using the “pay-as-you-go” approach. Based on the analysis carried out by the Fund which applies the outcome of the most recent IMF/World Bank Debt Sustainability Analyses, the indicative proportion of grants for ADF-12 is estimated at 30.65 percent. The rate for the upfront grant charge has been set at 14.57 percent for the ADF-12 period. Financing by donors for foregone principal on a “pay-as-you-go” basis is scheduled to start in 2013 with the compensation of grants provided under ADF-9.

Revisiting the Advance Commitment Capacity (ACC): During the Cape Town meeting, Deputies asked Management to seek ways to increase the level of the ACC, noting on the one hand the current budget constraints of many donor countries and on the other hand the continuing need for additional resources for the poorest countries of the continent. Management has demonstrated maximum flexibility and made utmost efforts to increase the internally generated resources. These efforts have resulted in a substantial increase of advance commitment capacity for ADF-12: UA 2,016 million, up from the UA 1,763 million presented in Cape Town. Management has refined and updated some of the underlying assumptions of the ACA model, including the ADF’s share of administrative expenses and the MDRI coverage ratio. The new lending terms for blend and gap countries proposed in the Resource Allocation paper are also taken into account, as are accelerated encashments. The final ACC for ADF-12 will depend on ADF-12 donor pledges

Indicative Financing Scenarios: The following 5 replenishment scenarios are presented: (1) Baseline scenario: ADF-11 replenishment level maintained in real SDR terms; (2) Low-case scenario with a 10 percent increase in ADF-11 resources; (3) Medium-case scenario: 30 percent increase in ADF-11 resources; (4) Central-case: 50 percent increase in ADF-11 resources; and (5) Upper-case: 70 percent increase in ADF-11 resources.

Management recommends that Deputies approve:

1. the proposed accelerated encashment schedule;
2. the ADF-12 grant compensation framework, wherein the foregone income due to the extension of grant levels is covered by an upfront charge of 14.57 percent while foregone principal reflows are offset using the “pay-as-you-go” approach;
3. the core assumptions used to determine the ACC; and
4. a replenishment level that will enable the Fund fulfil its development mandate in Africa.

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Abbreviations

ACA	Advance Commitment Authority
ACC	Advance Commitment Capacity
ADB	African Development Bank
ADF	African Development Fund
ADF-7	Seventh General Replenishment of the African Development Fund
ADF-8	Eighth General Replenishment of the African Development Fund
ADF-9	Ninth General Replenishment of the African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
CIRR	Commercial Interest Reference Rate
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
MDRI	Multilateral Debt Relief Initiative
NPV	Net Present Value
SDR	Special Drawing Rights
UA	Units of Account
UK	United Kingdom
US	United States

ADF-12 FINANCING FRAMEWORK II: DISCOUNT RATES, GRANT FINANCING, AND REPLENISHMENT SCENARIOS

1. Introduction

- 1.1 During the ADF-12 consultation meetings held in Cape Town, Management presented Deputies with the ADF-12 financing framework paper. The paper described expected sources of financing for ADF-12, analyzed the financial variables and parameters that underpin the African Development Fund (ADF or Fund)'s resources, and presented a set of replenishment scenarios. For ADF-12, Deputies agreed upon (i) the reference period to be used to determine ADF-12 foreign exchange rates, (ii) the standard subscription payment dates, (iii) the standard encashment calendar, and (iv) the index to be used to determine the discount rates applicable to accelerated encashments.
- 1.2 This paper builds on the paper presented in Cape Town. It presents the currency-specific discount rates that will be used for accelerated encashments and analyzes grant financing for the upcoming replenishment, specifically the financing of foregone income and principal resulting from the extension of grants. The paper also revisits the Advance Commitment Capacity (ACC) and various replenishment scenarios, as per Deputies' request.
- 1.3 Section 2 of this paper presents the discount rates for ADF-12 accelerated encashments and provides sample accelerated encashment schedules for each replenishment currency. Section 3 analyzes the foregone income and principal that will arise from ADF-12 grant funding. Section 4 proposes various replenishment scenarios, and Section 5 presents Management's recommendations and concludes.

2. Discount Rates for Accelerated Encashments

- 2.1 Deputies will recall that subscriptions are payable in either (i) Special Drawing Rights (SDR), (ii) a currency used for the valuation of SDR, or (ii) their countries' own currencies, under certain conditions.¹ During the first consultative meeting for ADF-12, Deputies agreed that the currency-specific Commercial Interest Reference Rate (CIRR) would be used to determine the amount to be credited to State Participants that opt to accelerate the encashment of their subscription. The CIRR in question would be the CIRR applicable as of 15 April 2010 for credits of up to 5 years and adjusted downwards by 100 basis points.
- 2.2 Table 1 presents ADF-12 discount rates computed for ADF-12 replenishment currencies. As in previous replenishments, the Fund will apply the SDR discount rate to subscriptions made in currencies not listed in the table.

¹ See African Development Bank. February 2010. ADF-12 Financing Framework. Cape Town, South Africa.

Table 1: ADF-12 Discount Rates for Accelerated Encashment

Currency	Adjusted Commercial Interest Reference Rate
Canadian Dollar	1.88%
Danish Krone	0.78%
Euro	1.53%
Japanese Yen	0.23%
Korean Won	4.47%
Norwegian Krone	3.13%
Swedish Krona	2.51%
Swiss Franc	0.70%
UK Pound	1.79%
US Dollar	1.51%
SDR	1.38%

Notes: SDR=Special Drawing Rights; UK=United Kingdom; US=United States

Source: African Development Fund and Organisation for Economic Co-operation and Development

- 2.3 The accelerated encashment model, used by the Fund to compute the credit applicable to encashments paid in advance, has been revised to capture actual payment dates in order to better reflect the investment income (credit) generated by accelerated encashments. Under the previous model, funds were assumed to be received once a year, at the beginning of each year, while in fact, funds are received in four equal installments during the year. This revision will both improve the management of accelerated encashment credits in the case of customized (unequal) payments during the year and address the overpayment of credit in cases of late encashment.
- 2.4 Annex I and Annex II show the current accelerated encashment model and the model proposed for ADF-12. The results of the two computation methods are close, as the present value associated with a series of four encashments received during a year is only slightly less than the present value of a stream of annual encashments assumed to be received at the beginning of the year. The difference is more pronounced when payments are received later than expected. It is important to highlight that the credit generated by accelerated encashments will be affected by both the size and the timing of the encashments.
- 2.5 Sample currency-specific accelerated encashment schedules for ADF-12 are presented in Annex II. Similar to previous replenishments, if the Fund is unable to generate the expected revenue from the proceeds of accelerated encashments,² the Fund will absorb the shortfall.

3. ADF-12 Grant Financing

- 3.1 Grants are available to ADF-only countries. Since ADF-10, the International Monetary Fund/World Bank Debt Sustainability Framework (DSF) for low-income countries, through its role in the performance-based allocation process, determines the proportion of ADF resources that is allocated in the form of grants. More specifically, the DSF determines each country's risk of debt distress and its financing terms, particularly its eligibility for grants. The DSF methodology is based on (i) countries' institutional strength and the quality of their policies with regard to debt distress; and (ii) country-specific debt burden indicators, such as the net present value (NPV) of debt/gross domestic product ratio, the NPV of debt/exports ratio, and the debt service/exports ratio. Based on this analysis, countries are classified as recipients of loans only, recipients of grants only, or recipients of a 50/50 combination of loans/grants.

² For example, if the return on investment is less than the discount rates.

- 3.2 During ADF-7 and ADF-8, grants were used to finance technical assistance activities. The level of grants was set at 7.5 percent of the total replenishment amount. For ADF-9, Deputies agreed to increase the concessionality of ADF resources in light of the economic difficulties faced by most ADF countries. Accordingly they set the overall grant level at 18 to 21 percent of all available ADF-9 resources. Since ADF-10, the portion of the Fund's resources provided as grants is no longer determined beforehand, but is a result of the annual allocation process. The proportion thus varies from year to year.
- 3.3 Since the tenth replenishment, the Fund has been using the Modified Volume Approach and a volume discount on grants to address the costs related to increased grant financing and protect the Fund's financial integrity. Under this two-pronged compensation scheme, income that is foregone because of grant extensions is offset by an upfront charge on grants. In addition, donors compensate foregone principal reflows above 7.5 percent as these reflows arise during future replenishments, using the "pay-as-you-go" approach. This ensures that increases in grant financing have a neutral effect on the Fund's future commitment capacity.

Expected Level of ADF-12 Grants

- 3.4 Every year, the Fund uses the outcomes of the International Monetary Fund/World Bank Debt Sustainability Analysis (DSA) to determine the financing terms of the ADF allocations. In the 2010 allocations, the level of grants is 30.65 percent³ and is driven, inter alia, by Ghana and Angola's recent change in debt distress category from low to moderate and Burkina Faso's change in category from moderate to high.⁴ Rwanda and Chad changed from a high to a moderate risk of debt distress during the same period. For ADF-12, the overall grant level is assumed to be equal to the level in the 2010 allocations. The actual amount of grants allocated under ADF-12 will depend on annual DSAs.

Grant Compensation: Foregone Income

- 3.5 In accordance with the Modified Volume Approach and the volume discount, Management proposes that the grant portion of the allocations of the countries that receive grants be reduced by 20 percent (the modified volume discount).⁵ Part of the volume discount will be used to compensate the Fund for foregone income through an upfront grant charge (also called the grant surcharge). The remaining amount will be allocated to ADF-only countries using the Performance-Based Allocation system.
- 3.6 In order to set the grant surcharge for ADF-12, the overall grant level for ADF-12 is assumed to be equal to the level established under the 2010 DSA, i.e., 30.65 percent. Table 2 presents the ADF-12 upfront grant charge. It will be deducted from each grant disbursement⁶ and has been computed using the SDR discount rate of 1.38 percent.⁷

Table 2: Upfront Grant Charge to Compensate Foregone Income

Grant level	Upfront grant charge
30.65%	14.57%

Source: African Development Bank

³ See African Development Bank. 24 February 2010. *2010 Country Allocation Under ADF-11*. ADF/BD/IF/2010/54.

⁴ Twelve red or yellow-light countries received higher allocations in 2011 than in 2009: Benin, the Central African Republic, the Democratic Republic of Congo, the Republic of Congo, Comoros, Côte d'Ivoire, Djibouti, Guinea, Lesotho, Liberia, Sierra Leone, and Togo. This rise in allocations contributed to the increase in the grants proportion of the 2010 allocation.

⁵ The volume discount on grants is divided in two components: (i) an incentives-related portion to help preserve the strength of the incentives of the Fund's Performance-Based Allocation system, and (ii) a charges-related portion to offset foregone charges on ADF grants. Fragile states are only subject to the charges-related volume discount.

⁶ The upfront grant charge will be subtracted from the 20 percent volume discount and applied to the Fund's liquidity.

⁷ The applicable SDR discount rate computed for the ADF-12 replenishment, i.e., the SDR-adjusted CIRR of 15 April 2010.

- 3.7 The 14.57 percent upfront charge (10.12 percent for ADF-11) has been determined through an iterative process that equates the present value of the upfront grant charges levied at disbursement with the present value of the foregone income flows. The rate for the upfront charge is a function of the ADF-12 grant level, the grant disbursement profile, and the discount rate. It is independent of the replenishment amount.

Grant Compensation: Foregone Principal Repayments

- 3.8 To mitigate the reduction of future reflows that results from higher grant financing, donors have agreed since ADF-9 to compensate the Fund for foregone reflows above 7.5 percent of the replenishment amount, as the reflows arise.
- 3.9 Each donor's contribution to grant compensation is based on the donor's normalized burden share for the corresponding replenishment. Financing by donors for foregone principal on a pay-as-you-go basis is scheduled to start in 2013 with the compensation of the grants extended under ADF-9.
- 3.10 In summary, Management proposes that donors adopt the same approach for ADF-12 as for previous replenishments, whereby the income foregone because of grants is compensated by an upfront charge on grants, while foregone principal reflows are offset as they arise during future replenishments. By agreeing to this proposal, donors will be committing to a series of payments based on their relevant burden share on a "pay-as-you-go" basis. This ensures that increases in grant financing have a neutral effect on the Fund's future commitment capacity.

4. Replenishment Scenarios

Revisiting the Advance Commitment Capacity (ACC)

- 4.1 During the Cape Town consultative meetings for the twelfth replenishment, Deputies asked Management to seek ways to increase the level of the ACC, noting on one hand the current budget constraints of many donor countries and on the other hand the continuing need for additional resources for the poorest countries of the continent.
- 4.2 The indicative baseline ACC presented during the Cape Town meeting was based on certain core financial assumptions.⁸ Following additional review, Management has refined and updated some of those assumptions. These concern: (i) transfers by the ADB; (ii) the sharing of administrative expenses between the ADB and the ADF; (iii) the level of ADF-12 grants; (iv) the coverage of MDRI costs; (v) accelerated encashments; and (vi) the lending terms for blend and gap countries.

African Development Bank Transfers

- 4.3 One of the cash inflows that support the Fund's ACC is the net income transfers from the Bank to the Fund. In 2007, the Bank conditionally undertook to at least double its contribution from Units of Account (UA) 30 million to up to UA 60 million for ADF-11. Management also indicated that it would reassess the Bank's financial position annually to determine the feasibility of transferring additional net income to the ADF.
- 4.4 Cognizant of the need to maximize the generation of internal resources for the Fund, the Bank intends to increase its contribution to the Fund from UA 60 million to UA 105 million for the ADF-12 cycle (UA 35 million per year), subject to the ADB's financial strength and the level of net income that will be generated. This represents an increase of 75 percent over previous income allocations. The Bank's Board of Directors will continue to reassess the Bank's financial position annually to ensure the feasibility of this undertaking.

⁸ See African Development Bank. February 2010. *The Long-Term Financial Integrity of the ADF*. Cape Town; and African Development Bank. February 2010. *The ADF-12 Financing Framework*. Cape Town, South Africa.

- 4.5 The Bank has already contributed UA 50 million to ADF-11 from its 2007 and 2008 net income (UA 25 million in each year). However, recognizing the importance of additional support to ADF countries, and in line with undertakings made during the recent sixth General Capital Increase negotiations to ensure that 60 percent of the Bank's annual income is allocated to development initiatives, Management has proposed an exceptional distribution of UA 50 million to the ADF from 2009 allocable income. If approved by the Board of Governors, this distribution will bring the cumulative net income allocated during the ADF-11 period to UA 100 million, 66 percent more than the ADB's original commitment of UA 60 million.
- 4.6 Deputies will recall that Section 7.7 of the ADF-11 Deputies' Report indicates the following:
*A proposal will be submitted to the Board of Governors of the Bank to approve, on an annual basis, the allocation to the Fund of the realized income generated from the clearance of arrears of Fragile States through the [Fragile States Facility], with due consideration given to the financial integrity of the Bank.*⁹
- 4.7 Accordingly, in early 2008, the Bank, after due consideration of its financial circumstances, distributed UA 84 million of its 2007 net income to the ADF, over and above the normal annual allocation, following the clearance of the arrears of Liberia and Comoros. The arrears clearance of these two countries resulted in a reversal of provisions of UA 84 million. In 2009, following the arrears clearance of Côte d'Ivoire, the Bank again distributed UA 60 million to the Fragile States Facility out of its 2008 net income, in addition to its normal annual distribution to the ADF. For Côte d'Ivoire, the arrears clearance resulted in a reversal of provisions of UA 154 million.
- 4.8 In all the cases described above, decisions as to the extent of net income distributions to the ADF were, as statutorily required, primarily guided by consideration of the long-term financial sustainability of the ADB. In this regard, it is worth noting that following the financial crisis, the concerns of most Bank stakeholders swung dramatically from possible over-capitalization to under-capitalization and the need for a general capital increase. Differences in the extent of the funds transferred from the ADB to the ADF should be viewed in the larger context of the dramatic changes in the last couple of years in the medium-to-longer term prospects of the Bank's capital adequacy.
- 4.9 In this context, in the case that the arrears of Zimbabwe are cleared during the ADF-12 period, Management will propose to the ADB's Board of Directors to transfer an amount of UA 80 million related to these arrears to the ADF. Management further proposes to transfer to the ADF the outstanding balance of UA 49 million of ADB origin currently available in the FSF Pillar II accounts¹⁰. These two proposals have been taken into account in the model.

Administrative Expenses

- 4.10 Pursuant to the Agreement Establishing the African Development Fund, the Fund reimburses the Bank for the fair value of the ADF's use of the Bank's human resources, organization, services, and facilities. This reimbursement of administrative expenses—the management fee—is calculated using a cost-sharing formula approved by the Board of Directors in 1993.¹¹
- 4.11 The management fee affects the Fund's operating income and therefore the ACC. Management is currently reviewing the cost-sharing formula and will present its findings to the Board at end-April 2010. The review will ascertain whether recent evolutions in the business of the ADF and the ADB are being accommodated and what adjustments, if any, should be made. Based on very preliminary results, Management proposes to reduce the ADF's cost-share from the current 71 percent to 66 percent in the Advance Commitment Authority (ACA) model for computing the ADF-12 ACC. Note that this proposal is subject to approval by the Board of Directors, and the cost share number used in the ACA model will be updated

⁹ African Development Bank. 2007. *ADF-11 Deputies Report*.

¹⁰ See the ADF-12 replenishment paper *Resource Allocation*, April 2010

¹¹ African Development Bank. 1993. *Study on the Cost Sharing Formula of the African Development Bank*. ADB/BD/WP/93/129-ADF/BD/WP/93/170. In addition, in 1996, Management distributed a technical note on the cost-sharing formula to the Board (African Development Bank. June 1996. *A Technical Note on the ADB/ADF Cost Sharing Formula*. ADB/BD/IF/96-149).

accordingly.

The ADF-12 Grant Level

- 4.12 Although the DSAs used to determine the ADF’s grant level take place annually, for the purpose of calculating the ACC, Management has assumed a constant grant surcharge of 14.57 percent (Table 2). The immediate effect of this higher charge (compared to a charge of 10.12 percent for ADF-11) is a higher ACC, due to the upfront nature of the charges applied to compensate for foregone income.

The Multilateral Debt Relief Initiative Coverage Ratio

- 4.13 The model initially assumed an 85 percent coverage factor for the Multilateral Debt Relief Initiative (MDRI). This level represents the commitments received for the ADF-11 disbursement period as presented in Table 3, and is expected to be revised in July 2010, once both the MDRI cost and level of commitment for the ADF-12 disbursement period (2011-2023) are known.

Table 3: Status of Donors’ Commitments to the MDRI and the Structural Gap as of 15 April 2010

ADF-11 Disbursement period	2008-2020	
	UA millions	Share
Unqualified commitments	914	62%
Qualified commitments	375	25%
Costs not covered by commitments	180	12%
Structural gap*	4	0.3%
Total	1,473	100%

Notes: *Cost not covered by commitments or pledges. MDRI = Multilateral Debt Relief Initiative; UA = Units of Account

Source: African Development Fund

- 4.14 The MDRI coverage ratio is the weighted average of both qualified and unqualified commitments received from donors. As agreed at the time that the MDRI was approved, unqualified commitments are factored into the ACC at 100 percent, while qualified commitments are factored in at 85 percent. The 15 percent discount on qualified commitments reflects uncertainty regarding the timeliness of payments¹². Costs not covered by commitments are not included in the ACA. This safety margin ensures that the flow of the ADF’s ACC is not disrupted by delayed payments.
- 4.15 As indicated earlier, MDRI costs applicable during the ADF-12 disbursement period (2011-2023) will be determined in the second quarter of 2010 and a revised schedule of MDRI contributions will be sent to donors in June 2010, once ADF-12 foreign exchange rates are known.
- 4.16 In order to boost the ACC, Management is proposing to use in the ACA model a coverage ratio of 90 percent.

Accelerated encashment

- 4.17 To further maximize funding from internally generated resources, and based on past experience on the use of accelerated encashment by donors, Management is introducing an accelerated encashment variable into the ACA. Hence, the model now assumes that at least 20 percent of the total subscriptions of donors for ADF-12 and onwards, will be accelerated. For ADF-11 for example, 31 percent of the subscriptions used accelerated encashment, and for ADF-10, the level stood at 36 percent. This assumption improves the ACC.

¹² The model assumes that 15 percent of the qualified commitments will be received with a 1-year delay. The MDRI coverage ratio = (% unqualified commitments * 100%) + (% qualified commitment* 85%).

Proposed lending terms for blend, gap and graduating countries

- 4.18 In the ADF-12 replenishment paper on Resource Allocation, Management proposes to apply differentiated, less concessional lending terms to blend, gap and graduating countries. Applying such terms will increase reflows over time and thus improve the ACC. In calculating the ACC for ADF-12, the terms proposed by Management have been taken into account.

Preserving the Safety Margin of the Advance Commitment Authority Model

- 4.19 The ADF's liquidity policy requires that at any given time, the Fund hold liquid assets covering between 50 and 75 percent of the moving average of 3 years of net disbursements. This requirement was established to ensure that (i) the Fund meets its primary operational requirements (loan disbursements) without calling for donor encashments outside the agreed encashment schedule; and (ii) the Fund generates enough investment income to cover its expenses and break even. As a result, the encashment schedule of donors' subscriptions targets liquidity of 62.5 percent.¹³
- 4.20 Prudent risk management requires that the ACA model be built on more conservative assumptions, given that the model relies on estimates that span 50 years. As a result, the model targets a liquidity level of 75 percent. This level mitigates the risk of over-committing the Fund or breaching the Fund's prudential minimum liquidity limits. This safeguard has worked well. It proved its importance during the ADF-11 period, where the Fund was able to absorb the effects of substantial lower inflows due to (i) an adverse global interest rates environment, (ii) the accelerated pace of disbursements, and (iii) the restructuring of the Fund's portfolio in response to the food and financial crises, which drastically reduced the level of loan cancellations. Despite these deviations from projections, the integrity of previously extended ACC amounts was preserved and the model operated as an efficient means of deploying available resources with a negligible risk of over-commitment.
- 4.21 The 75 percent minimum liquidity level set for the ACA is one of the model's most important safety margins and Management strongly recommends keeping it as is.

The Indicative Advance Commitment Capacity for ADF-12

- 4.22 The ACC for the baseline scenario (ADF-11 in real SDR terms) is now estimated at UA 2,016 million, UA 253 million higher than the UA 1,763 million presented in Cape Town and only slightly lower than the ACC delivered for ADF-11. Table 4 summarizes the key variables that have been revised and their impact on the advance commitment capacity.

Table 4: ACC of ADF-12: Evolution since Cape Town

	Key assumptions	ACC		
ACA Cape Town	- Annual loan cancellation of UA 100 million for ADF-12 and subsequent replenishments	1,763		
	- Forward Rate Curve			
	- MDRI coverage ratio of 85%			
	- Annual ADB transfer of UA 35 million			
	- Repayment sensitivity factor of 90%			
			Variance	
Revised ACA	- Model updated with ADF 2009 Financial Data	2,016	-33	1,730
	- Share of Administrative Expenses from 71% to 66.2%		+78	1,808
	- New Grant Level of 30.65% with 14.57% upfront charge		+35	1,843
	- MDRI coverage ratio of 90% plus 1 year delay for 10% remaining of qualified commitments		+48	1,891
	- Accelerated Encashment for 20% of total contributions at 95.87% of face value		+109	2,000
	- New Lending Terms for Blend and Gap countries		+16	2,016
Variance with Cape Town Level (1,763 vs. 2,016)			+ 253	

¹³ Cf African Development Bank. February 2010. *The ADF-12 Financing Framework*. Cape Town.

4.23 The final ACC will depend on the level of ADF-12 donor pledges. Annex III summarizes the key assumptions that guide determination of the ACC for ADF-10 through ADF-12.

Indicative Financing Scenarios

4.24 As per Deputies' request, Management is submitting a revised set of scenarios for the twelfth replenishment of the Fund (Table 5): the baseline scenario (a 4.5 percent increase in resources), a low-case scenario (a 10 percent increase in resources), a medium-case scenario (a 30 percent increase in resources), a central-case scenario (a 50 percent increase in resources), and an upper-case scenario (a 70 percent increase in resources).

Table 5: ADF-12 Replenishment Scenarios

Scenario (increase)	Donor Subscriptions		Advance Commitment Capacity		Total ADF- 12 Resources	
	Amount (in UA millions)	Increase over ADF-11	Amount (in UA millions)	Increase over ADF-11	Amount (in UA millions)	Increase over ADF-11
Baseline (4.5%)	3,862	10%	2,016	-2%	5,878	4.5%
Low-case (10%)	4,142	18%	2,046	-1%	6,188	10%
Medium-case (30%)	5,155	47%	2,158	5%	7,313	30%
Central-case (50%)	6,175	76%	2,263	10%	8,438	50%
Upper-case 70%	7,195	104%	2,368	15%	9,563	70%

Notes: UA = Units of Account

Source: African Development Bank

4.25 Annex IV shows the amount of donors' subscriptions under the five replenishment scenarios based on donors' ADF-11 burden share.

5. Conclusion

5.1 Based on the foregoing analysis, Management recommends that Deputies approve:

- the proposed accelerated encashment schedule;
- the ADF-12 grant compensation framework, wherein the income foregone due to the extension of grants is covered by an upfront charge 14.57 percent and donors offset foregone principal reflows as they arise in future replenishments using the "pay-as-you-go" approach;
- the core assumptions used to determine the ACC; and
- a replenishment level that would enable the Fund to fulfil its development mandate in Africa.

Annex I: Accelerated Encashment Schedules

Table I-1: Accelerated Encashment Model: Current Model

Fiscal Year	Discount Rate	Standard schedule -%o-	Schedule 3 years - %o-	Schedule 4 years-%o-	Schedule 5 years -%o-	Schedule 6 years-%o-	Schedule 7 years-%o-
2011		5.030	33.33	25.00	20.00	16.67	14.29
2012		10.340	33.33	25.00	20.00	16.67	14.29
2013		14.760	33.33	25.00	20.00	16.67	14.29
2014		15.070		25.00	20.00	16.67	14.29
2015		12.990			20.00	16.67	14.29
2016		11.170				16.67	14.29
2017		10.140					14.29
2018		9.130					
2019		8.330					
2020		3.040					
Discount rate	1.38%						
Total		100.000	100.00	100.00	100.00	100.00	100.00
NPV equivalent		94.58	98.65	97.98	97.32	96.67	96.02
Discount /credit as % of face value			4.30%	3.60%	2.90%	2.21%	1.52%

Notes: NPV = net present value; SDR = Special Drawing Rights

Source: African Development Bank

Table I-2: Accelerated Encashment Schedule: Proposed Approach for ADF-12

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years - %-	Schedule 5 years - %-	Schedule 6 years - %-	Schedule 7 years - %-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.38%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		94.12	98.18	97.51	96.85	96.20	95.56
Discount / Credit as % face value			4.13%	3.47%	2.82%	2.16%	1.50%

Notes: NPV = net present value; SDR = Special Drawing Rights

Source: African Development Bank

Annex II: Sample Accelerated ADF-12 Encashment Schedules for Various Currencies

Table II-1: Canadian Dollar

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years - %-	Schedule 5 years - %-	Schedule 6 years - %-	Schedule 7 years - %-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.88%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		92.11	97.53	96.63	95.75	94.87	94.01
Discount / Credit as % face value			5.56%	4.68%	3.80%	2.92%	2.03%

Notes: NPV = net present value

Source: African Development Bank

Table II-2: Danish Krone

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	0.78%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		96.60	98.96	98.58	98.19	97.82	97.44
Discount / Credit as % face value			2.38%	2.00%	1.62%	1.24%	0.86%

Notes: NPV = net present value

Source: African Development Bank

Table II-3: Euro

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.53%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		93.50	97.98	97.24	96.51	95.79	95.08
Discount / Credit as % face value			4.57%	3.85%	3.12%	2.39%	1.66%

Notes: NPV = net present value

Source: African Development Bank

Table II-4: Japanese Yen

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	0.23%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		98.98	99.69	99.58	99.46	99.35	99.23
Discount / Credit as % face value			0.71%	0.60%	0.48%	0.37%	0.26%

Notes: NPV = net present value

Source: African Development Bank

Table II-5: Korean Won

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	4.47%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		82.71	94.34	92.34	90.40	88.52	86.70
Discount / Credit as % face value			12.33%	10.43%	8.51%	6.56%	4.60%

Notes: NPV = net present value

Source: African Development Bank

Table II-6: Norwegian Krone

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	3.13%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		87.38	95.96	94.51	93.10	91.71	90.35
Discount / Credit as % face value			8.95%	7.55%	6.14%	4.73%	3.30%

Notes: NPV = net present value

Source: African Development Bank

Table II-7: Swedish Krona

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	2.51%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		89.67	96.73	95.55	94.39	93.26	92.14
Discount / Credit as % face value			7.30%	6.15%	5.00%	3.84%	2.67%

Notes: NPV = net present value

Source: African Development Bank

Table II-8: Swiss Franc

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	0.70%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		96.94	99.07	98.72	98.38	98.04	97.70
Discount / Credit as % face value			2.14%	1.80%	1.46%	1.11%	0.77%

Notes: NPV = net present value

Source: African Development Bank

Table II-9: UK Pound

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.79%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		92.46	97.65	96.79	95.94	95.11	94.28
Discount / Credit as % face value			5.31%	4.47%	3.63%	2.78%	1.93%

Notes: NPV = net present value; UK = United Kingdom

Source: African Development Bank

Table II-10: US Dollar

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.51%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		93.58	98.01	97.28	96.56	95.85	95.14
Discount / Credit as % face value			4.51%	3.80%	3.08%	2.36%	1.64%

Notes: NPV = net present value; US = United States

Source: African Development Bank

Table II-11: SDR

Date of Encashment	Encashment number	Standard - %-	Schedule 3 years - %-	Schedule 4 years-%-	Schedule 5 years -%-	Schedule 6 years-%-	Schedule 7 years-%-
24 February 2011	1	1.26	8.33	6.25	5.00	4.17	3.57
24 May 2011	2	1.26	8.33	6.25	5.00	4.17	3.57
24 August 2011	3	1.26	8.33	6.25	5.00	4.17	3.57
24 October 2011	4	1.26	8.33	6.25	5.00	4.17	3.57
23 February 2012	1	2.59	8.33	6.25	5.00	4.17	3.57
23 May 2012	2	2.59	8.33	6.25	5.00	4.17	3.57
23 August 2012	3	2.59	8.33	6.25	5.00	4.17	3.57
23 October 2012	4	2.59	8.33	6.25	5.00	4.17	3.57
21 February 2013	1	3.69	8.33	6.25	5.00	4.17	3.57
21 May 2013	2	3.69	8.33	6.25	5.00	4.17	3.57
21 August 2013	3	3.69	8.33	6.25	5.00	4.17	3.57
21 October 2013	4	3.69	8.33	6.25	5.00	4.17	3.57
27 February 2014	1	3.77		6.25	5.00	4.17	3.57
27 May 2014	2	3.77		6.25	5.00	4.17	3.57
27 August 2014	3	3.77		6.25	5.00	4.17	3.57
27 October 2014	4	3.77		6.25	5.00	4.17	3.57
26 February 2015	1	3.25			5.00	4.17	3.57
26 May 2015	2	3.25			5.00	4.17	3.57
26 August 2015	3	3.25			5.00	4.17	3.57
26 October 2015	4	3.25			5.00	4.17	3.57
24 February 2016	1	2.79				4.17	3.57
24 May 2016	2	2.79				4.17	3.57
24 August 2016	3	2.79				4.17	3.57
24 October 2016	4	2.79				4.17	3.57
23 February 2017	1	2.54					3.57
23 May 2017	2	2.54					3.57
23 August 2017	3	2.54					3.57
23 October 2017	4	2.54					3.57
23 February 2018	1	2.28					
23 May 2018	2	2.28					
23 August 2018	3	2.28					
23 October 2018	4	2.28					
22 February 2019	1	2.08					
22 May 2019	2	2.08					
22 August 2019	3	2.08					
22 October 2019	4	2.08					
26 February 2020	1	0.76					
26 May 2020	2	0.76					
26 August 2020	3	0.76					
26 October 2020	4	0.76					
Discount rate	1.38%						
Total		100.00	100.00	100.00	100.00	100.00	100.00
NPV equivalent		94.12	98.18	97.51	96.85	96.20	95.56
Discount / Credit as % face value			4.13%	3.47%	2.82%	2.16%	1.50%

Notes: NPV = net present value; SDR = Special Drawing Rights

Source: African Development Bank

Annex III: Key Assumptions in Advance Commitment Capacity Calculations for ADF-10, ADF-11, and ADF-12

		ADF-10	ADF-11	ADF-12
Donor Contributions in Future Replenishments	To establish the baseline scenario, donor subscriptions for future replenishments are conservatively assumed to remain unchanged in real terms. In other words, the nominal amounts are assumed to increase by the assumed cumulative rate of inflation over the previous replenishment period.	0%	7%	4.49%
MDRI Compensation	In addition to regular contributions, donors pledged to cover 100% of MDRI costs for all heavily indebted poor countries (on forgone principal and interest) by making additional contributions to future replenishments on a pay-as-you-go basis without leaving a financing gap.	0%	84%	90%
Grant Share in Replenishment	The grant level for the replenishment is determined as per the debt sustainability analysis.	44%	28.4%	30.65%
Compensation for Grants	In addition to regular contributions, donors would finance the foregone principal reflows that result from grant extensions by making additional contributions on a pay-as-you-go basis. Foregone charges income would be offset by an upfront grant charge.	11.9%	10.12%	14.57%
Administrative Expenses	These expenses are based on the relevant budget program and are set to increase annually thereafter at:	3%	3%	3%
ADB Transfers Per Year	Constant annual transfer from ADB net income, in UA millions	10	20	35
Repayment Sensitivity Factor	To account for delayed repayments by countries in arrears to the Fund, repayment flows are maintained constant as a percentage of expected loan repayments.	85%	85%	90%
Disbursement Sensitivity Factor	To account for grant compensation and loan cancellations, reductions in disbursement flows are maintained constant at a percentage of signed loans.	93.18%	93.18%	95.18%
Investment Return Rate	The rate of return of the investment portfolio	3.42%	4.45%	Forward curve
Minimum Prudential Level of Annual Liquidity	As a percentage of the 3-year moving average of net disbursements	100%	75%	75%
Loan Cancellations	Constant annual cancellations in nominal terms, in UA millions	0	100	100
Advance Commitment Capacity	Level of the Advance Commitment Capacity in UA billions. Baseline scenario for ADF-12	1.200	2.063	2.016

Note: ADB=African Development Bank; MDRI=Multilateral Debt Relief Initiative; UA=Units of Account

Source: African Development Bank

Annex IV: ADF-12 Replenishment Scenarios in Units of Account

STATE PARTICIPANT	ADF-12 BURDEN SHARE	SUBSCRIPTION ADF-11	ADF-12 BASELINE SCENARIO	Increase vs. ADF-11	ADF-12 LOW CASE (10% INCREASE)	Increase vs. ADF-11	ADF-12 MEDIUM CASE (30% INCREASE)	Increase vs. ADF-11	ADF-12 CENTRAL CASE (50% INCREASE)	Increase vs. ADF-11	ADF-12 UPPER CASE (70% INCREASE)	Increase vs. ADF-11
Argentina												
Austria	2,340%	86 545 325	95 005 601	10%	101 877 900	18%	126 796 523	47%	151 887 328	76%	176 978 134	104%
Belgium	2,075%	76 730 906	84 231 770	10%	90 324 736	18%	112 417 536	47%	134 662 992	76%	156 908 448	104%
Brazil	0,177%	6 557 936	7 199 010	10%	7 719 756	18%	9 607 954	47%	11 509 199	76%	13 410 445	104%
Canada	4,999%	184 878 368	202 951 234	10%	217 631 859	18%	270 863 091	47%	324 462 140	76%	378 061 190	104%
China	2,161%	79 900 950	87 711 702	10%	94 056 392	18%	117 061 928	47%	140 226 428	76%	163 390 928	104%
Denmark	1,384%	51 169 774	56 171 898	10%	60 235 133	18%	74 968 226	47%	89 803 121	76%	104 638 017	104%
Finland	2,413%	89 221 984	97 943 919	10%	105 028 763	18%	130 718 065	47%	156 584 874	76%	182 451 684	104%
France	10,907%	403 328 759	442 756 339	10%	474 783 441	18%	590 912 152	47%	707 843 292	76%	824 774 431	104%
Germany	10,817%	400 000 000	439 102 176	10%	470 864 951	18%	586 035 227	47%	702 001 308	76%	817 967 390	104%
India	0,174%	6 434 447	7 063 449	10%	7 574 388	18%	9 427 031	47%	11 292 475	76%	13 157 919	104%
Italy	5,264%	194 642 996	213 670 408	10%	229 126 412	18%	285 169 132	47%	341 599 095	76%	398 029 059	104%
Japan	7,070%	261 438 952	286 996 031	10%	307 756 098	18%	383 031 089	47%	458 826 216	76%	534 621 343	104%
Korea	0,878%	32 474 255	35 648 790	10%	38 227 472	18%	47 577 644	47%	56 992 424	76%	66 407 205	104%
Kuwait	0,180%	6 656 705	7 307 434	10%	7 836 022	18%	9 752 659	47%	11 682 538	76%	13 612 418	104%
The Netherlands	5,437%	201 061 742	220 716 620	10%	236 682 318	18%	294 573 159	47%	352 864 014	76%	411 154 870	104%
Norway	4,517%	167 029 492	183 357 533	10%	196 620 834	18%	244 712 915	47%	293 137 305	76%	341 561 694	104%
Portugal	0,801%	29 621 699	32 517 381	10%	34 869 549	18%	43 398 397	47%	51 986 178	76%	60 573 959	104%
Saudi Arabia	0,443%	16 394 840	17 997 525	10%	19 299 389	18%	24 019 885	47%	28 772 998	76%	33 526 112	104%
South Africa	0,193%	7 146 618	7 845 239	10%	8 412 730	18%	10 470 425	47%	12 542 338	76%	14 614 251	104%
Spain	3,000%	110 938 734	121 783 599	10%	130 592 904	18%	162 535 016	47%	194 697 841	76%	226 860 667	104%
Sweden	4,354%	160 994 400	176 732 478	10%	189 516 551	18%	235 870 974	47%	282 545 699	76%	329 220 423	104%
Switzerland	2,466%	91 186 540	100 100 520	10%	107 341 364	18%	133 596 312	47%	160 032 676	76%	186 469 040	104%
United Arab Emirates												
United Kingdom	14,796%	547 150 749	600 637 710	10%	644 085 276	18%	801 624 033	47%	960 251 354	76%	1 118 878 674	104%
United States of America	8,300%	306 944 199	336 949 663	10%	361 323 162	18%	449 700 283	47%	538 688 072	76%	627 675 862	104%
TOTAL DONOR SUBSCRIPTIONS (A)	95,146%	3 518 450 369	3 862 398 029	10%	4 141 787 399	18%	5 154 839 653	47%	6 174 891 908	76%	7 194 944 162	104%
SUPPLEMENTARY CONTRIBUTIONS (B)		43 840 867		-100%		-100%		-100%		-100%		-100%
TECHNICAL GAP (C)		135 666 565	197 055 260	45%	211 309 396	56%	262 994 198	94%	315 036 132	132%	367 078 065	171%
REPLENISHMENT LEVEL [(D) = (A)+(B)+(C)]		3 697 957 802	4 059 453 289	10%	4 353 096 795	18%	5 417 833 851	47%	6 489 928 039	76%	7 562 022 227	104%
ADVANCE COMMITMENT CAPACITY (E)		2 062 970 035	2 016 000 000	-2%	2 046 000 000	-1%	2 158 000 000	5%	2 263 000 000	10%	2 368 000 000	15%
TOTAL RESOURCES - GAP EXCLUDED [(D)+(E)-(C)]		5 625 261 272	5 878 398 029	4,5%	6 187 787 399	10,0%	7 312 839 653	30,0%	8 437 891 908	50,0%	9 562 944 162	70,0%
TOTAL RESOURCES - GAP INCLUDED [(D)+(E)]		5 760 927 837	6 075 453 289	5,5%	6 399 096 795	11,1%	7 575 833 851	31,5%	8 752 928 039	51,9%	9 930 022 227	72,4%

Source: African Development Bank