1. Encashment of Subscriptions
2. Grant Financing
3. Revisiting the Advance Commitment Capacity
4. ADF-12 Replenishment scenarios
5. Recommendations
Accelerated encashment

- Commercial Interest Reference Rate (CIRR) to determine the credit for Donors who opt for accelerated encashment

- CIRR applicable as of 15 April 2010 for credits up to 5 years and adjusted downwards by 100 basis points

- Encashment model revised to improve the management of accelerated encashment credit
Accelerated encashment: discount rates and credits

- **CAD**
  - CIRR: 1.88%
  - 3yr: 5.56%

- **CHF**
  - CIRR: 0.70%
  - 3yr: 2.14%

- **DKK**
  - CIRR: 0.78%
  - 3yr: 2.38%

- **Euro**
  - CIRR: 1.53%
  - 3yr: 4.57%

- **GBP**
  - CIRR: 1.79%
  - 3yr: 5.31%

- **KRW**
  - CIRR: 4.47%
  - 3yr: 12.33%

- **SEK**
  - CIRR: 2.51%
  - 3yr: 7.30%

- **USD**
  - CIRR: 1.51%
  - 3yr: 4.51%

- **Yen**
  - CIRR: 0.23%
  - 3yr: 0.71%

**SDR discount rate applied for currencies not listed**
1. Encashment of Subscriptions
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ADF-12 Grant Financing Framework

Debt Sustainability Analysis

Grant compensation framework: Neutral effect on future commitment capacity

Compensation for foregone charges: Modified volume approach & volume discount

Compensation for foregone principal: Repayment by Donors

Grant proportion 30.65%

Abidjan 2010
Modified volume approach

Grant extended to an ADF country

Grant amount reduced by 20% = Volume discount

Upfront grant charge of 14.57% Deducted from volume discount

Compensation for foregone income

Allocated under PBA to ADF-only countries

Remaining volume discount amount
**ADF-12 Grant Financing Framework**

1. **Compensation for foregone principal**
2. **Contributions received from donors based on normalized burden shares**
3. **Financing on “pay-as-you-go” basis**

**ADF 12 foregone principal compensation amount will be known in 2014**

**Donors’ compensation for ADF-9 foregone principal scheduled to start at end of ADF-12, with UA 83,060 due in 2013**
ADF-12 FINANCING FRAMEWORK

1. Encashment of subscriptions
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Revisiting the ACC

**ADB transfers**
- Doubled from ADF-10 to ADF-11
- 75% increase from ADF-11 to ADF-12

**Administrative expenses**
- Review of cost sharing formula
- ADF share of administrative expenses expected to decrease

**MDRI**
- Coverage ratio assumed at 90%

**Accelerated encashment**
- 20% of subscriptions assumed to be accelerated

**Grant level**
- Grant surcharge set at 14.57% vs. 10.12% for ADF-11

**Lending terms**
- Lower concessionality for blend and gap countries
Indicative ACC for ADF-12

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<thead>
<tr>
<th>Category</th>
<th>Amount (UA million)</th>
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<tr>
<td>Lending terms</td>
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<tr>
<td>Accelerated encashment</td>
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<td>MDRI coverage</td>
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<td>Grant data</td>
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<td>Administrative expenses</td>
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<td>2009 Financial data</td>
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<tr>
<td>Cape Town</td>
<td>1,763</td>
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ADF-12 FINANCING FRAMEWORK

1. Encashment of Subscriptions
2. Grant Financing
3. Revisiting the Advance Commitment Capacity
4. ADF-12 Replenishment scenarios
5. Recommendations
ADF-12 Indicative scenarios

Abidjan 2010

In UA million

ADF-11  Baseline  Low-case +10%  Medium-case +30%  Central-case +50%  Upper-case +70%

3,562  3,862  4,142  5,155  6,175  7,195

2,063  2,016  2,046  2,158  2,263  2,368

+10%  +18%  +47%  +76%  +104%  

Donor subscriptions  Advance Commitment Capacity
Deputies are invited to approve

Accelerated encashment model

Grant compensation framework
ADF-12 Upfront grant surcharge of 14.57%

Core assumptions underlying the ACC for ADF-12

A replenishment scenario that will support the Fund’s mission in Africa
Thank You

Accelerated encashment model

Grant compensation framework
ADF-12 Upfront grant surcharge of 14.57%

Core assumptions underlying the ACC for ADF-12

A replenishment scenario that will support the Fund’s mission in Africa