Abidjan 2010

Resource Allocation

Aloysius ORDU, Vice President,
Country and Regional Programs & Policy
1. ADF-12: consolidate and build on ADF-11
2. Balance between PBA & set-asides
3. Proposed Policy Adjustments
Status of ADF-11 resources

<table>
<thead>
<tr>
<th>Expected</th>
<th>Available</th>
<th>Committed</th>
<th>Balance</th>
<th>Pipeline until December</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,910</td>
<td>5,417</td>
<td>4,067</td>
<td>1,350</td>
<td>1,458</td>
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<tr>
<td>382</td>
<td>3,922</td>
<td>2,853</td>
<td>1,069</td>
<td>1,196</td>
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<tr>
<td>4,140</td>
<td>108</td>
<td></td>
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</tbody>
</table>

Contingencies: 108
PBA Resources*: 382
RO envelope: 15
FSF: 15
PPF: 15

Gap: 108
ADF-11: allocated resources to stronger performers and key priorities

- PBA
- Link to performance
- Set-asides

- Governance: 22%
- Infrastructure: 65%
- Hum Dev: 5%
- Agric: 9%
1. ADF-12: consolidate and build on ADF-11
2. Balance between PBA & set-asides
3. Proposed Policy Adjustments
Reinforcing the performance basis of the resource allocation framework

Performance Linked: 92%

Technical contingencies 1%

Other: 7%

FSF Pillar 1
Cost Shared ROs
PBA

Private Sector
RPGs
Arrears
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RO envelope: Management favors an increase

- Strong demand fueled by:
  - Need to complete work initiated (phase 2 or 3)
  - Recognized comparative advantage of the ADF

- Link to performance and enhanced selectivity:
  - 33% cost sharing
  - 15% cap on RPG
  - Strict selection and prioritization process
Ensure an FSF responsive to countries’ needs...

- Secure 2x top-up
  - + UA 405 m incl. phasing out
- Sufficient resources for arrears clearance
  - Targeted support + UA 15 m
  - + UA 413 m

Total: UA 833 m
1. ADF-12: consolidate and build on ADF-11
2. Balance between PBA & set-asides
3. Proposed Policy Adjustments
**Proposed policy adjustments**

- **Differentiated lending terms**
  - Blend, gap and graduating countries
  - 30 yrs maturity, 8 yrs grace, 1% interest
  - 41% concessionality (instead of 66%)

- **Blend country regime**
  - Country specific cap (50% of regular PBA) to ensure that bulk of ADF resources benefit poorer countries

- **Graduation Policy**
  - For countries transitioning to ADB-only
  - Over 2 to 5 years, gradual phasing out
  - Graduation program formulated in CSP
Conclusion

Building on ADF-11 momentum
- Reinforce performance-based allocation
- Maintain selectivity

Balance between PBA and set-asides
- Increased resources for ROs with stronger link to performance
- Maintain strong support for Fragile States
- Arrears clearance

Policy Adjustments
- Differentiated lending terms
- Country-specific caps for blend countries
- Graduation policy
Performance-Based Resource Allocation

<table>
<thead>
<tr>
<th></th>
<th>ADF-9</th>
<th>ADF-10</th>
<th>ADF-11</th>
<th>ADF-12*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Contingencies</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Non PBA linked</td>
<td>12%</td>
<td>18%</td>
<td>9%</td>
<td>7%</td>
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<tr>
<td>PBA linked</td>
<td>65%</td>
<td>80%</td>
<td>74%</td>
<td>71%</td>
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<tr>
<td>Direct PBA</td>
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Performance-Based Resource Allocation

Performance Linked: 92%
- FSF Pillar 1: 5%
- Cost Shared ROs: 16%
- PBA: 71%

Other: 7%
- Private Sector: 1%
- RPGs: 3%
- Arrears: 3%

RO set aside = 20%
FSF = 7.5%
The ADF-11 framework effectively allocates resources to stronger performing countries and key policy priorities.

- **PBA**
  - 68% to top performers (top 2 quintiles)
  - DSF and MDRI adjustments

- **Set-asides**
  - RO set-aside increased (17.5%)
  - FSF created (7.5%)

- **Link to performance**
  - PBA cost-sharing for ROs
  - FSF top-up based on ADF-10 PBA