ADF12 Long Term Financial sustainability of ADF

Charles O. Boamah
Vice President, Finance
Outline

1. Financial Sustainability of ADF
2. Assessment of ADF financial capacity
3. ADF-12: Protecting and maximizing commitment capacity
4. Measures to strengthen financial capacity in ADF-13
5. Leveraging ADF resources
6. Concluding Remarks
Financial Sustainability of ADF

Contributions from Donors
- Subscriptions
- Compensation for MDRI
- Compensation for grants

Internally Generated Resources
- Loan Reflows
- Net Income
- ADB Net Income allocation

Commitment Capacity
The financial basis of ADF remains sound

- Revised liquidity policy for ADF break even
- Substantial increase of grants
- Implementation of MDRI program
- Interest rate starts to decline
- Low interest rate environment
- Low level of interest rates
- Level of administrative expenses
- Reported surplus/deficit
- Increased Grants component and MDRI Loan Cancellations
- Do not impair ADF’s financial capacity
- Impair ADFs financial capacity

Reported surplus/deficit
**Prudent Investment Strategy**
- Creation of a distinct portfolio to invest the proceeds from accelerated encashment

**Mitigating currency translation losses**
- Improved alignment of the Fund’s net assets to the SDR

**Cost controls and budgetary discipline**
- Stabilization of Bank Group expenses since 2010 contributing to reduce the operational gap
Measures to strengthen financial capacity in ADF-13

- Revising lending terms
- Differentiation of ADF-only countries
- Encouraging graduation
- Accelerated loan repayment
  - Provisions in new loan agreements
  - Voluntary prepayment framework for existing loans
- Revised framework for the accelerated encashment of promissory notes
Leveraging financial capacity in ADF-13

New and Innovative Financing Instruments

- Drawing on the Bank Group’s experience with guarantee instruments
- Continued dialogue with stakeholders, particularly with donors and RMCs
Concluding Remarks

- Adjusted for MDRI and Grant effects, the ADF continues to break even.
- Low interest rates have a dampening effect on maximizing internally generated resources.
- Financial sustainability of the ADF still depends largely on support and assistance from Donors.
- Innovative approaches may hold the key to meeting the huge and urgent development financing needs in a resource constrained environment.
Thank you.