ADF-11 Resource Allocation

by

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ADF-11 MTR
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2009
Outline of Presentation

1. Resource utilization and availability

2. Results of the allocation framework

3. Issues to be discussed
Resource utilization has been frontloaded as requested by Deputies.
Resources Available for Allocation are Drying Up

- **Frontloaded use** of resources

- Resources currently available **insufficient to** sustain pipeline of projects until year end and in Q1 2010 (UA 1,185 m)

- Subscriptions, including 3rd installment, paid **as early as possible** if the ADF is to continue to provide funds

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In UA millions, as of end-September ‘09

* PBA resources are corrected for impact of negative contingencies
Lack of PBA resources means loss of flexibility

**Performance Based Allocations**

<table>
<thead>
<tr>
<th></th>
<th>Expected</th>
<th>Available</th>
<th>Committed</th>
<th>Balance</th>
<th>Pipeline until December</th>
<th>Pipeline until March</th>
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<tr>
<td><strong>Fragile States Facility</strong></td>
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<tr>
<td>Expected</td>
<td>515</td>
<td>515</td>
<td>386</td>
<td>129</td>
<td>40</td>
<td>70</td>
</tr>
<tr>
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<td>515</td>
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<td>RO envelope</td>
<td>965</td>
<td>965</td>
<td>786</td>
<td>179</td>
<td>53</td>
<td>109</td>
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<tr>
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<td>786</td>
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</table>

Including carryover
Lack of PBA resources means loss of flexibility

Performance Based Allocations

Third installment is paid early

- Expected: 4,142
- Available: 2,997
- Committed: 2,289
- Balance: 708
- Pipeline until December: 801
- Pipeline until March: 1,006

Including carryover
Disbursement rates (excluding PBL & FSF) increased significantly over time

* disbursement rates are calculated as disbursements within the calendar year divided by stock of undisbursed loans and grants at the beginning of the year; Dudget Support operations and transfer to FSF are excluded.
Outline of Presentation

1. Resource utilization and availability

2. Results of the allocation framework

3. Issues to be discussed
ADF-11 resources have been used as agreed

- Performance-based allocation:
  - Country performance assessment
  - Debt sustainability Framework
  - MDRI netting out

- Set-asides:
  - regional operations,
  - fragile states
The Allocation Framework is Yielding Solid Results

- Top performers consistently receive a larger resource share
The Allocation Framework is Yielding Solid Results

- Top performers consistently receive a larger resource share.

- MDRI benefits all ADF countries through redistribution of netting out.
Outline of Presentation

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2. Results of the allocation framework
3. Issues to be discussed
Experience of Implementation: Key Issues

- Programming for countries with small allocations
Experience of Implementation: Key Issues

- Programming for countries with small allocations

- Portfolio performance brings volatility to allocations
  
  • Even though the methodology has been revised to exclude potentially problematic projects, volatility remains high

<table>
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<th>Average Variation 2008-2009</th>
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<tr>
<td><strong>CPIA</strong></td>
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<tr>
<td>2 percent</td>
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Experience of Implementation: Key Issues

- Programming for countries with small allocations
- Portfolio performance brings volatility to allocations
  - Even though the methodology has been revised to exclude potentially problematic projects, volatility remains high
- Based on estimates, MDRI netting out may significantly reduce the ADF allocations of a small number of countries in the future
Experience of Implementation: Key Issues

- Programming for countries with small allocations
- Portfolio performance brings volatility to allocations
  - Even though the methodology has been revised to exclude potentially problematic projects, volatility remains high
- Based on estimates, MDRI netting out may significantly reduce the ADF allocations of a small number of countries in the future
- Graduation policy will need to be adopted to ensure an adequate mix of resources is provided to graduating countries (Cape Verde, possibly Angola)
Conclusion

- The PBA system plays a key role in the resource allocation mechanism under ADF-11 and will continue to do so.

- Implementation issues have been identified and will be discussed in the context of ADF-12.

- Commitments are being frontloaded as requested by the G20. Donor countries are thus encouraged to expedite payment of their installments so that ADF can continue its mission.
THANK YOU
Due to approvals early in the cycle, the overall share of governance projects will go down from 33% to 23%.

The chart shows the allocation of funds over time for different categories: Other instruments, Capacity-Building, and Budget Support. From Q1/'08 to Q3/'10, the share of governance projects decreases from 33% of PBA to 23% of PBA.
Sector focus in line with core priorities was preserved for PBA, as well as RO and FSF.
### Details of disbursements

<table>
<thead>
<tr>
<th>in UA m</th>
<th>Data</th>
<th>2008 (12 months)</th>
<th>2009 (9 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects</td>
<td></td>
<td>687</td>
<td>701</td>
</tr>
<tr>
<td>FSF</td>
<td></td>
<td>150</td>
<td>408</td>
</tr>
<tr>
<td>PBL</td>
<td></td>
<td>288</td>
<td>318</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>1,125</td>
<td>1,427</td>
</tr>
</tbody>
</table>
Regional Operations in detail

- Cost Sharing: 509
- RPG: 46 (Human Development: 37, Agriculture & rural Devt: 69, Governance: 19)
- Small Cap: 84

Cost Sharing: 67%
RPG: 22%
Small Cap: 11%

Key Domains: Human Development, Agriculture & rural Devt, Governance, Infrastructures
Number of countries per DSF traffic light category, 2005-2009

- 2005: 21 (Red: 14, Yellow: 4, Green: 3)
- 2006: 20 (Red: 16, Yellow: 4, Green: 0)
- 2007: 18 (Red: 13, Yellow: 5, Green: 0)
- 2008: 18 (Red: 14, Yellow: 4, Green: 0)
- 2009: 18 (Red: 14, Yellow: 4, Green: 0)
Number of ADF Countries by HIPC Status and Traffic Light Designation, 2005-2009

- **Completion Point**: 9, 3, 3, 3, 4
- **Decision Point**: 10, 8, 7, 9, 9
- **Pre-Decision Point**: 8, 8, 7, 5, 4
- **Non-HIPC**: 2, 1, 1, 1, 1

Colors represent:
- Red: Completion Point
- Yellow: Decision Point
- Green: Pre-Decision Point
- Green: Non-HIPC
Share of loans and grants in PBA allocations, 2005-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Grants</th>
<th>Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>34.3%</td>
<td>65.7%</td>
</tr>
<tr>
<td>2006</td>
<td>28.5%</td>
<td>71.5%</td>
</tr>
<tr>
<td>2007</td>
<td>28.2%</td>
<td>71.8%</td>
</tr>
<tr>
<td>2008</td>
<td>25.5%</td>
<td>74.5%</td>
</tr>
<tr>
<td>2009</td>
<td>25.6%</td>
<td>74.4%</td>
</tr>
</tbody>
</table>
August 2009 Review of the DSF

- IMF and WB approved adjustments to DSF:
  - Emphasis on diagnostic tool;
  - Greater focus on investment – growth nexus
  - Remittances
  - Flexibility for public enterprises

- Changes will become effective in all DSAs in 2010
Revision of the NCBP

- IMF approved revised concessionality policy in August 2009
- Shift from one-size-fits-all approach, to country specific approach
- Non concessional debt limits determined based on
  - Debt vulnerability
  - Debt Management Capacity
- ADF will revise its NCBP in coordination with IDA