

# ADF-11 Resource Allocation



**ROADS**  
ADF-11 MTR  
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by

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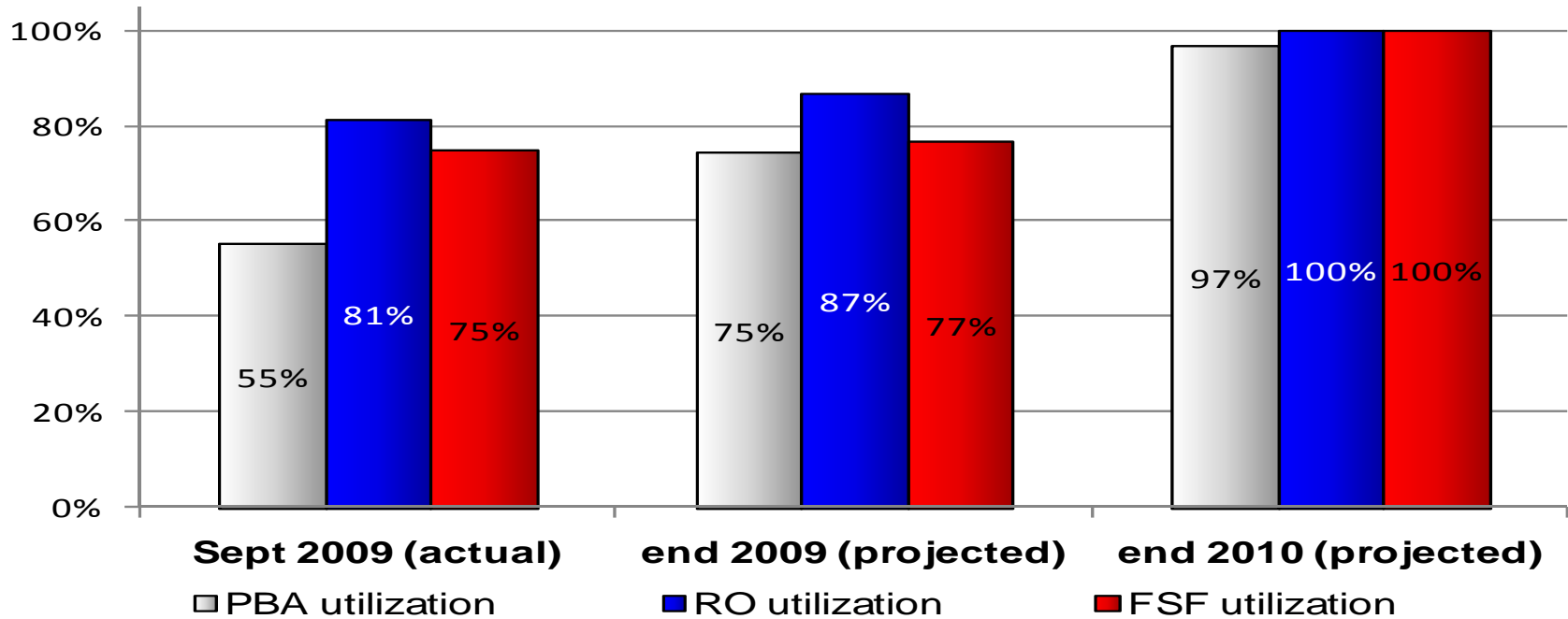
# Outline of Presentation

**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

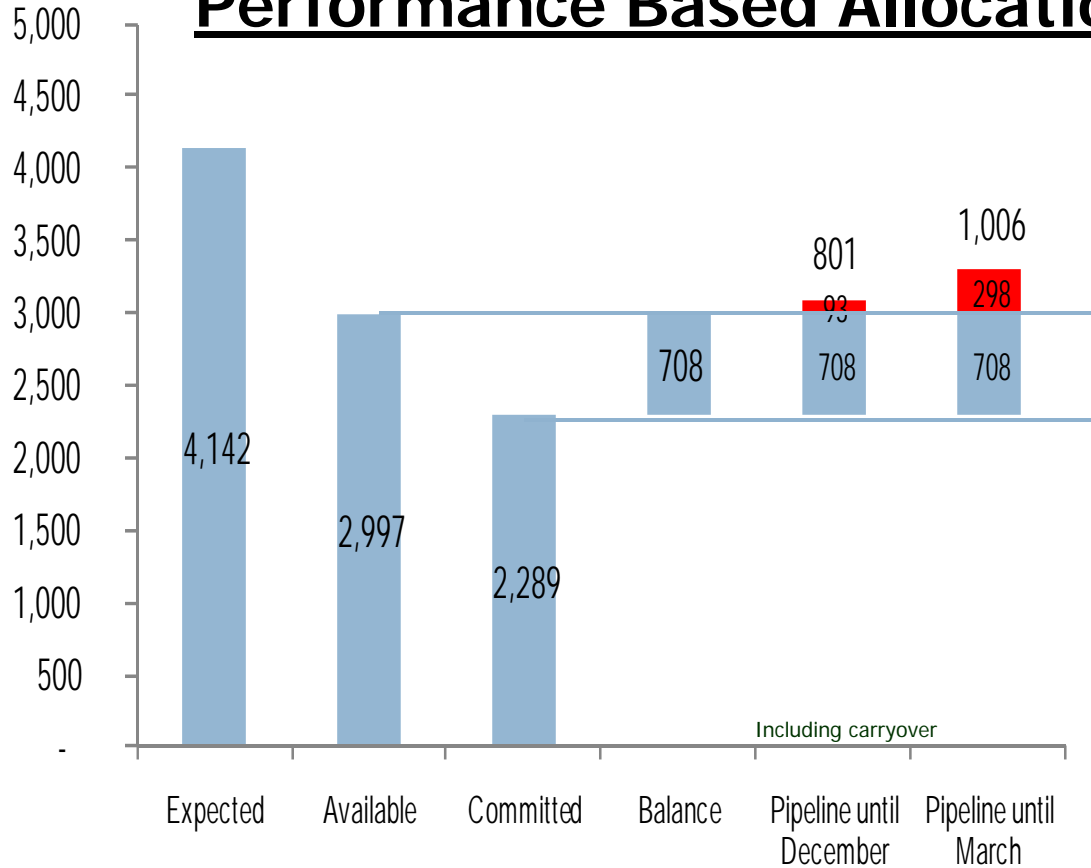
- *Frontloaded use* of resources
- Resources currently available *insufficient* to sustain pipeline of projects until year end and in Q1 2010 (UA 1,185 m)
- Subscriptions, including 3rd installment, paid *as early as possible* if the ADF is to continue to provide funds

- Contingencies
- PBA Resources\*
- RO envelope
- FSF
- PPF

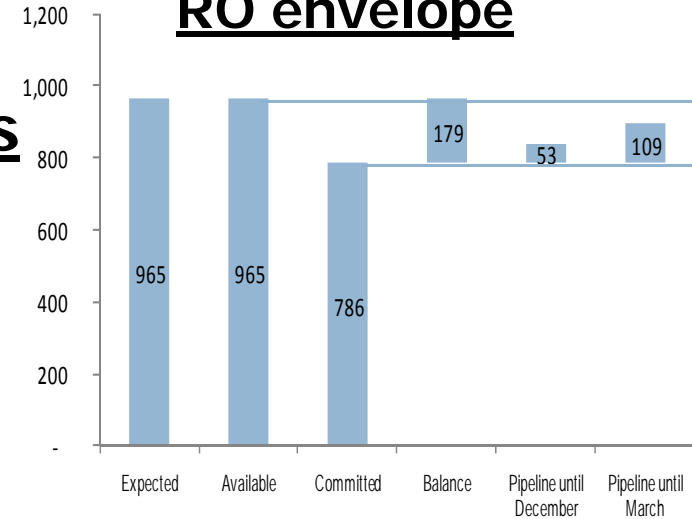


# Lack of PBA resources means loss of flexibility

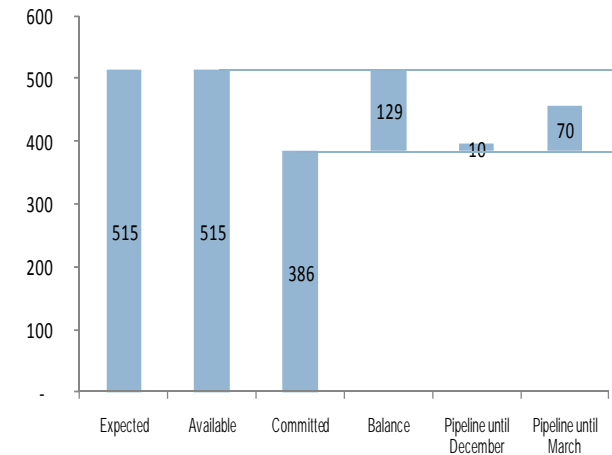
## Performance Based Allocations



## RO envelope



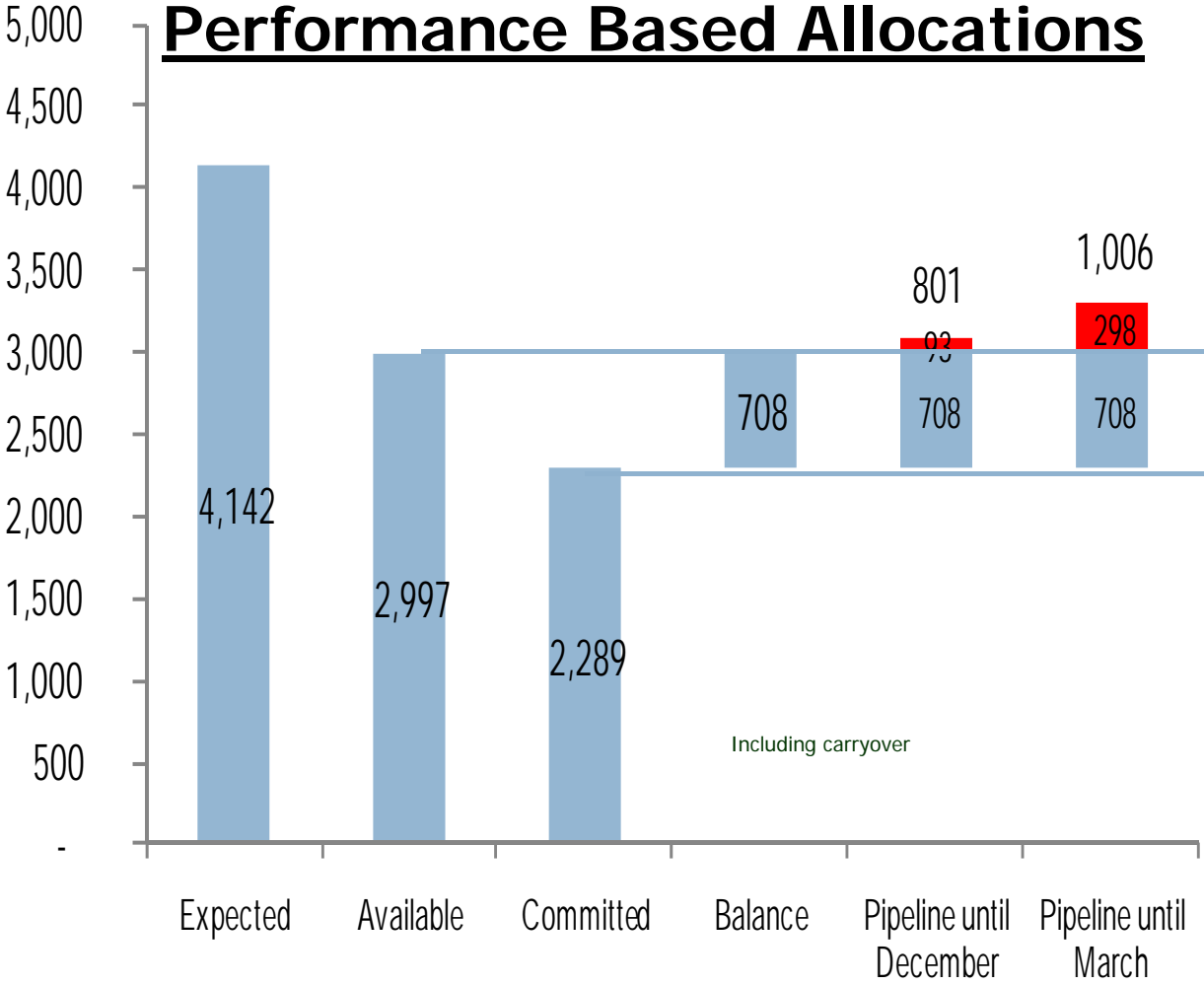
## Fragile States Facility





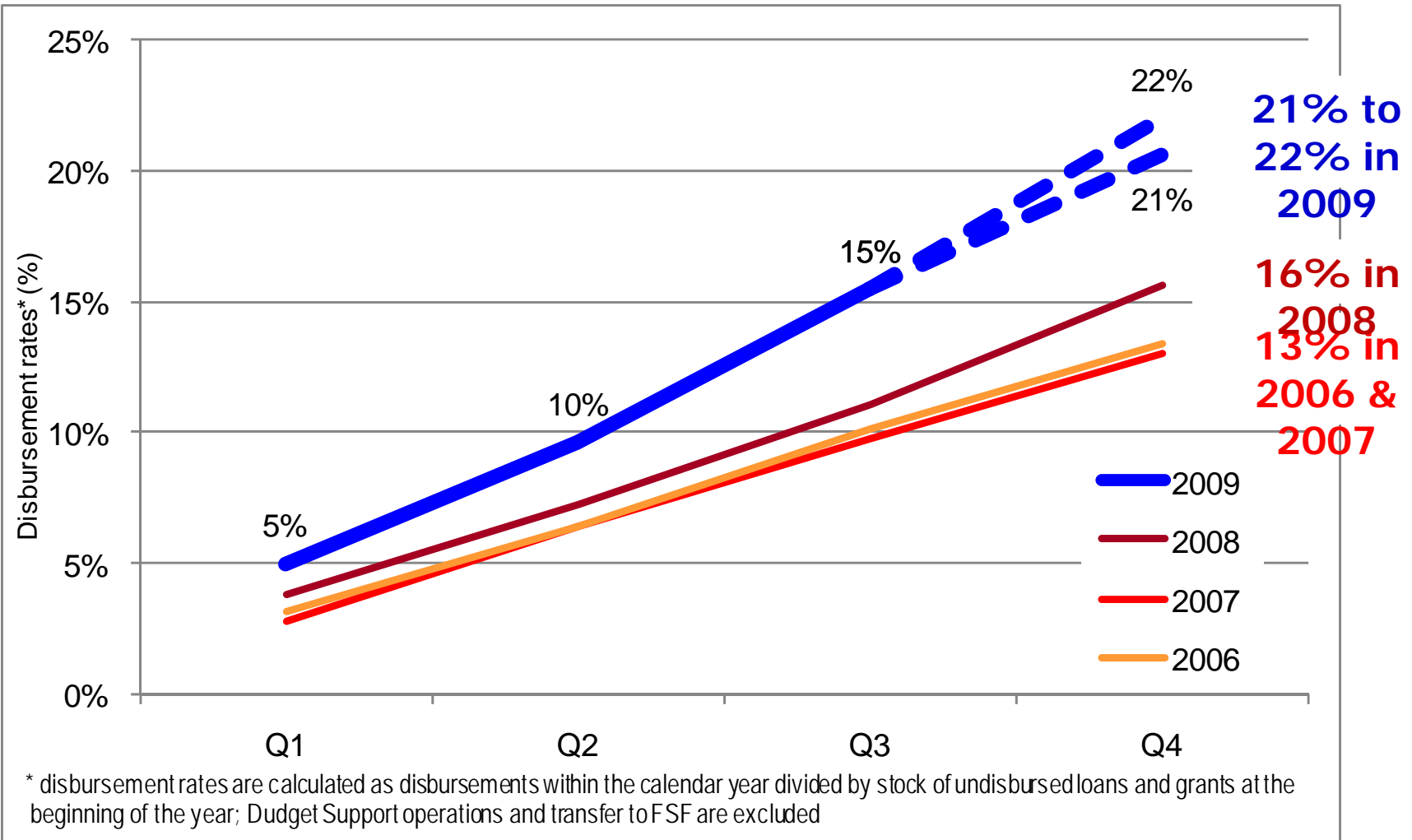
# Lack of PBA resources means loss of flexibility

## Performance Based Allocations



**Third installment is paid early**

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





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Allocation Framework



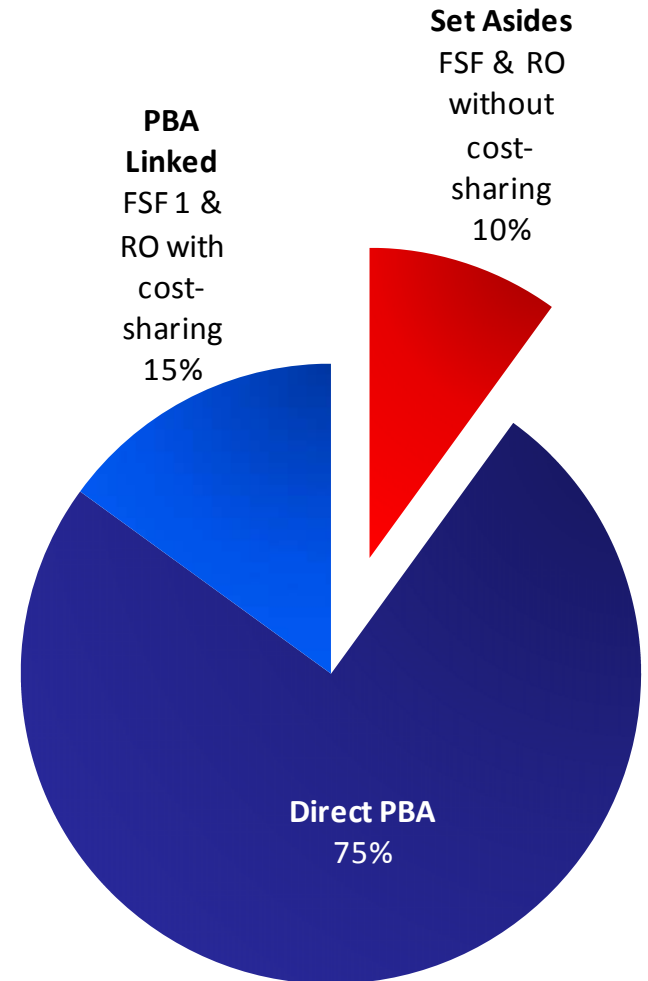
# ADF-11 resources have been used as agreed

## ○ Performance-based allocation:

- Country performance assessment
- Debt sustainability Framework
- MDRI netting out

## ○ Set-asides:

- regional operations,
- fragile states



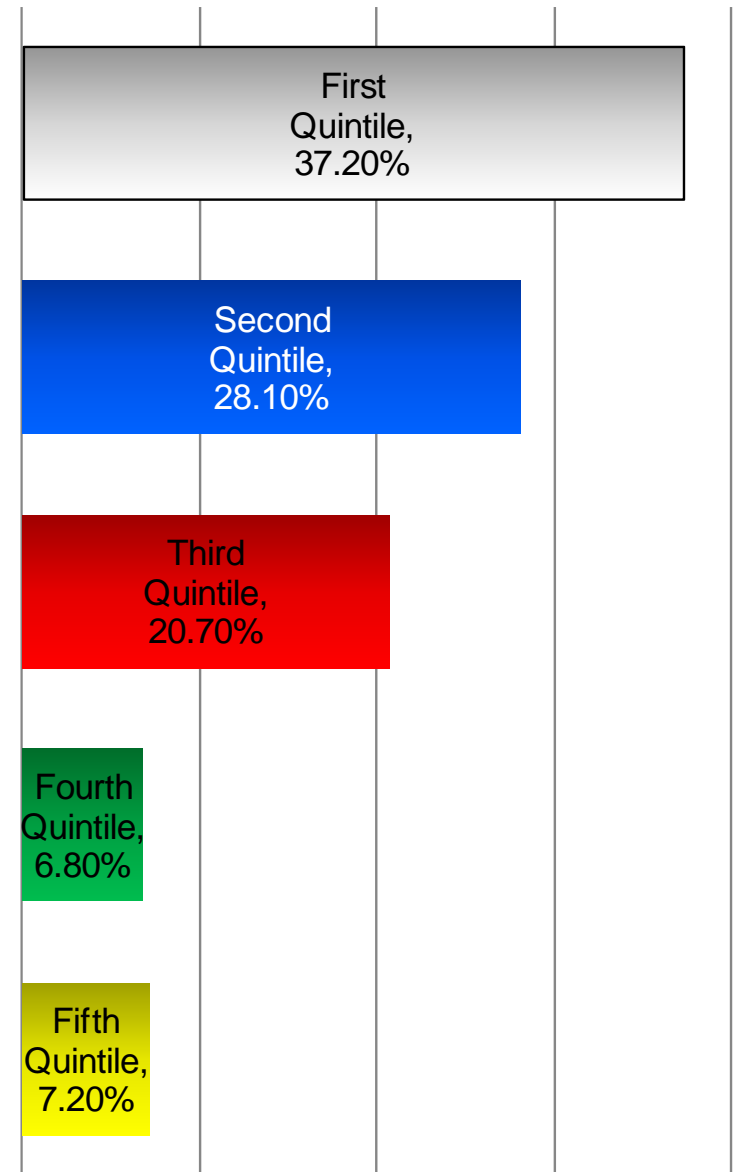


Allocation  
Framework



# The Allocation Framework is Yielding Solid Results

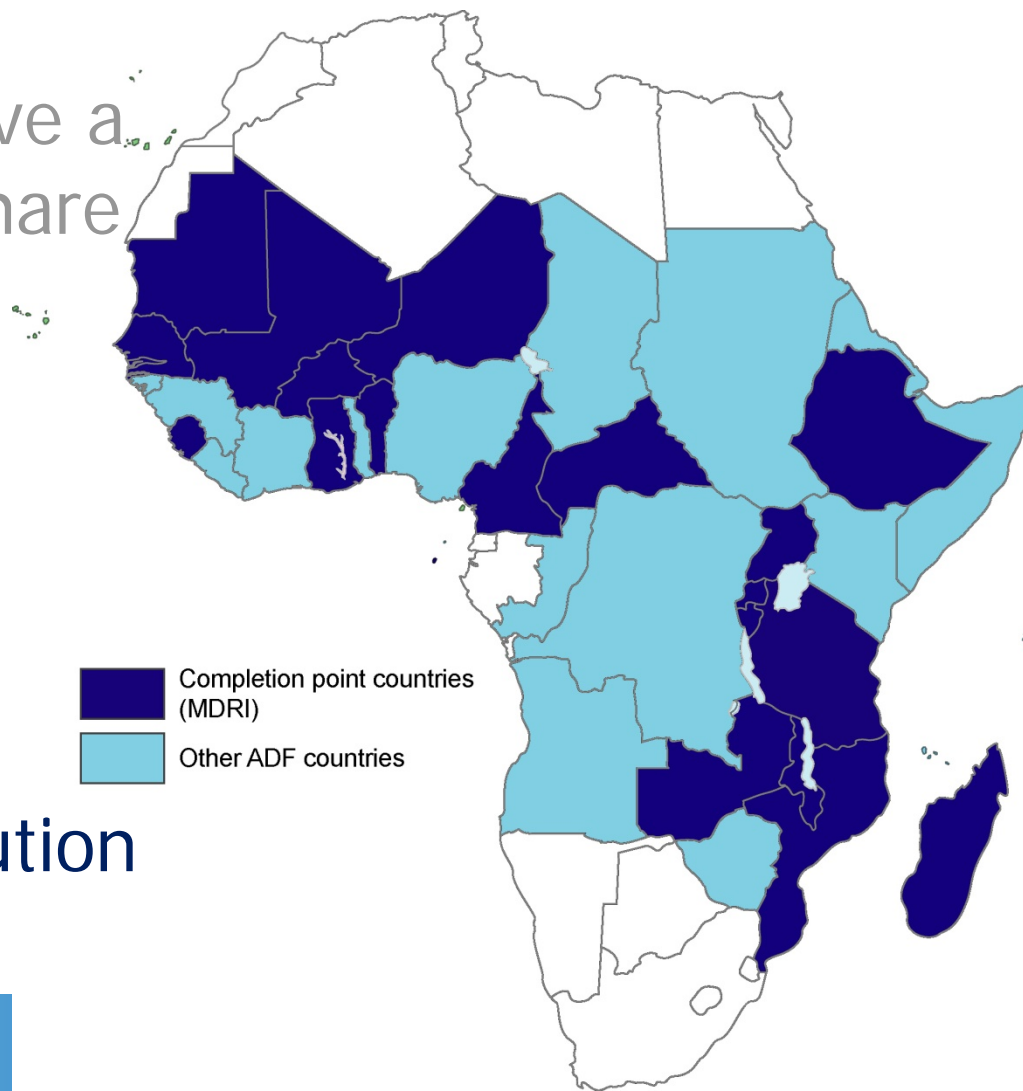
- Top performers consistently receive a larger resource share





# 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



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# Experience of Implementation: Key Issues

- Programming for countries with small allocations



Issues for discussion



## 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

<b>Average Variation 2008-2009</b>		
<b>CPIA</b>	<b>CPPR</b>	<b>Governance Rating</b>
2 percent	25 percent	5 percent



## Experience of Implementation: Key Issues

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- Portfolio performance brings volatility to allocations
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- 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.



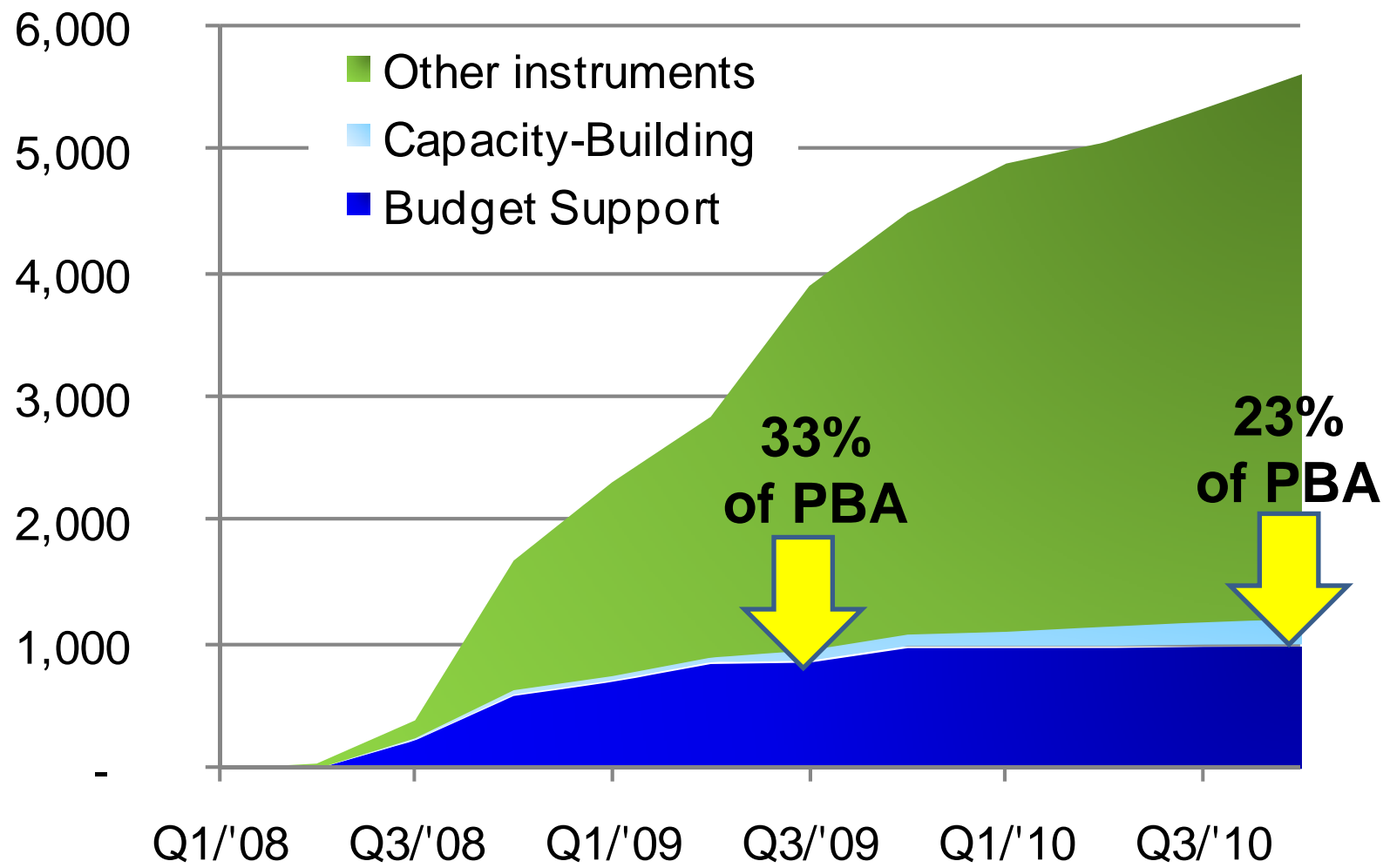
# THANK YOU



# BACKUP SLIDES

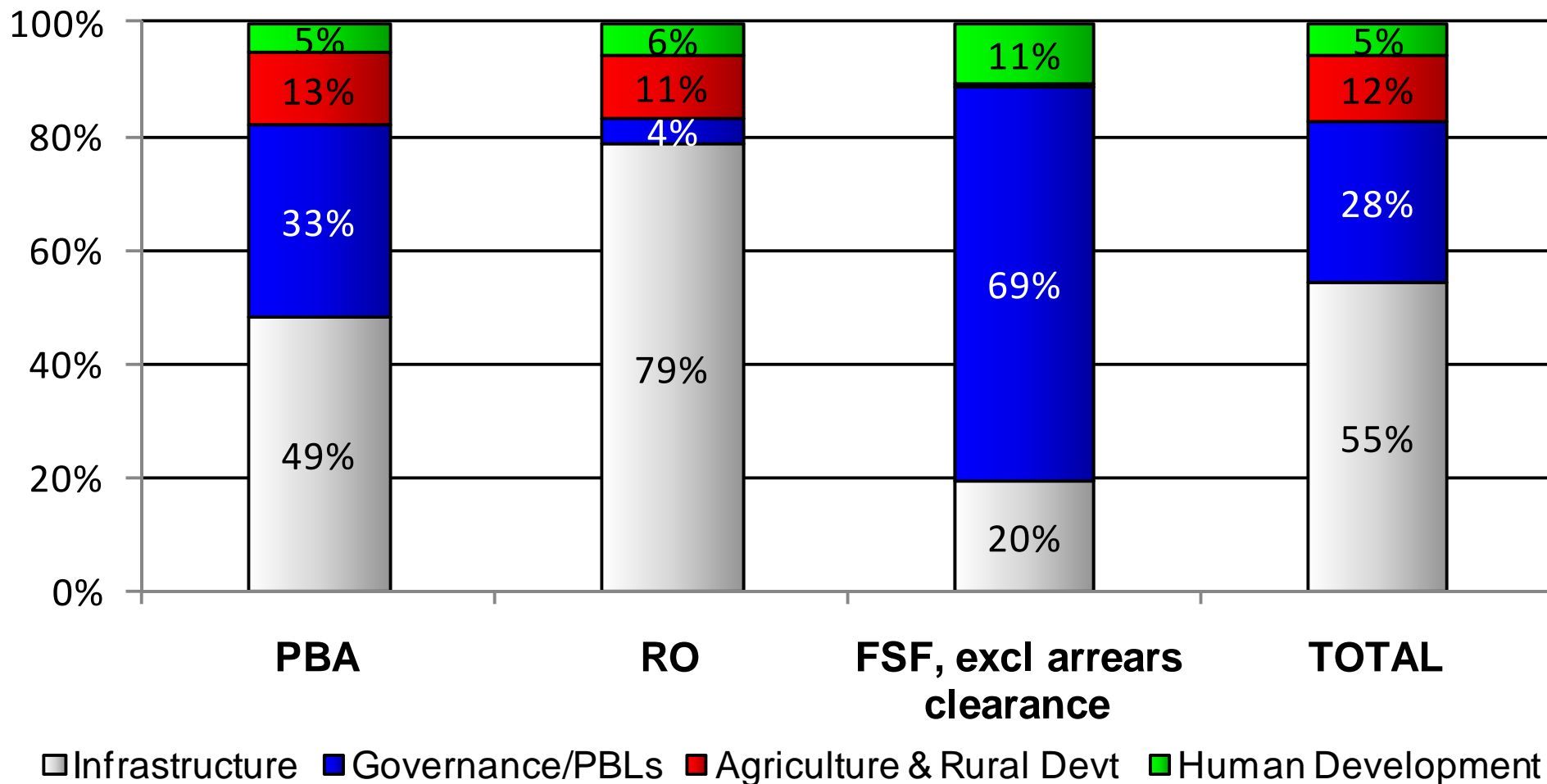


# Due to approvals early in the cycle, the overall share of governance projects will go down from 33% to 23%





# Sector focus in line with core priorities was preserved for PBA, as well as RO and FSF



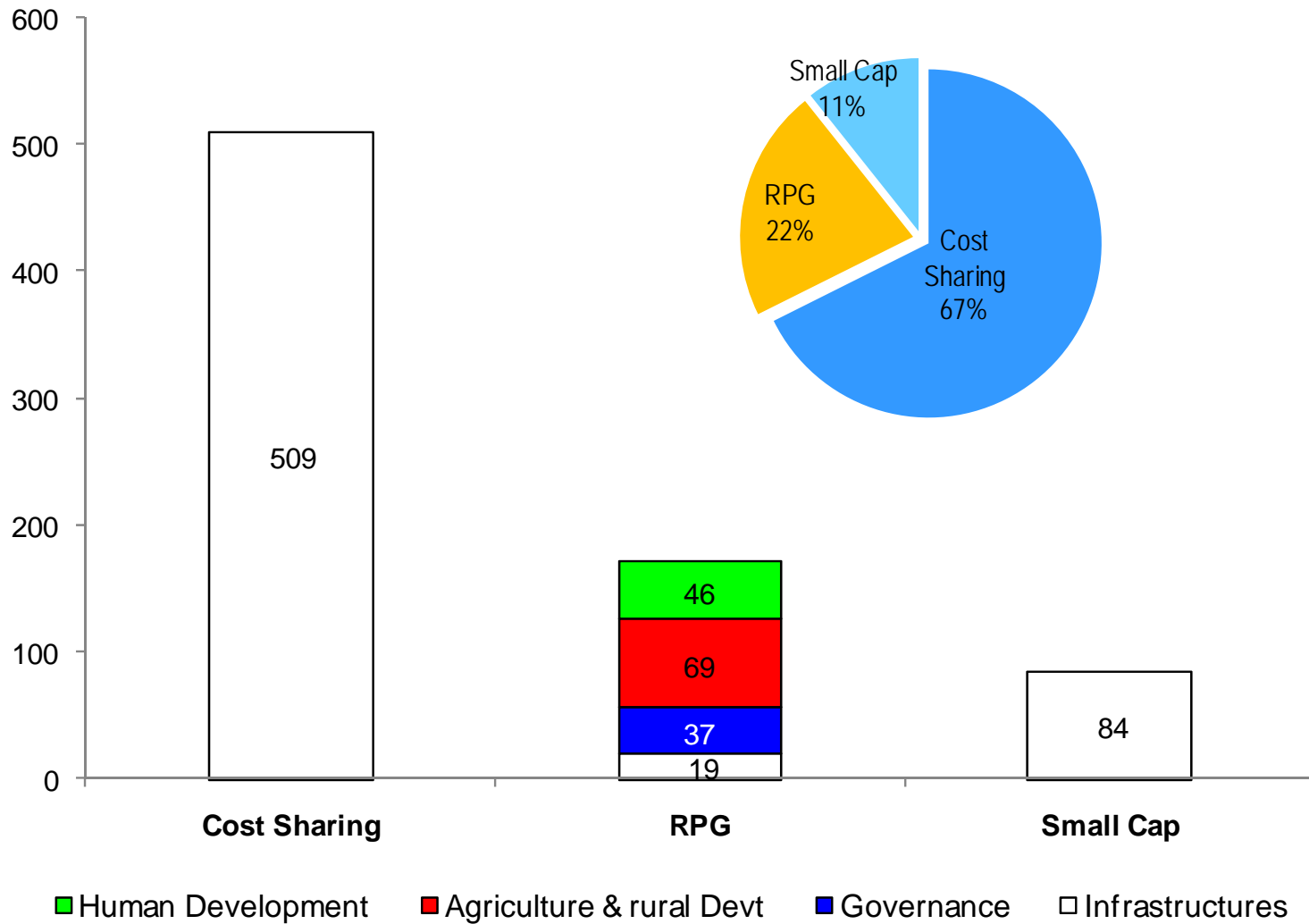


## Details of disbursements

	Data	
in UA m	2008 (12 months)	2009 (9 months)
Projects	687	701
FSF	150	408
PBL	288	318
<b>Grand Total</b>	<b>1,125</b>	<b>1,427</b>

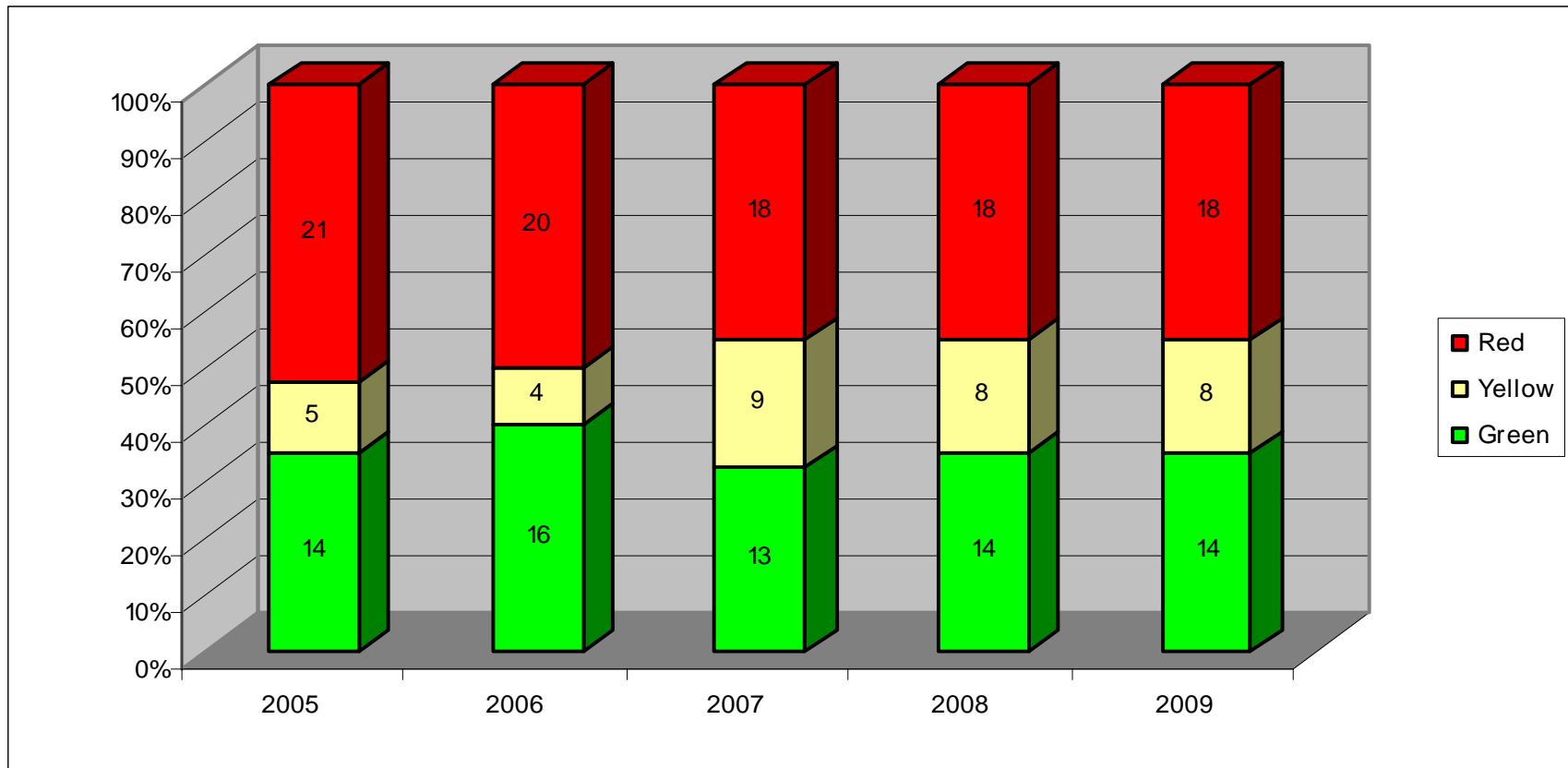


# Regional Operations in detail





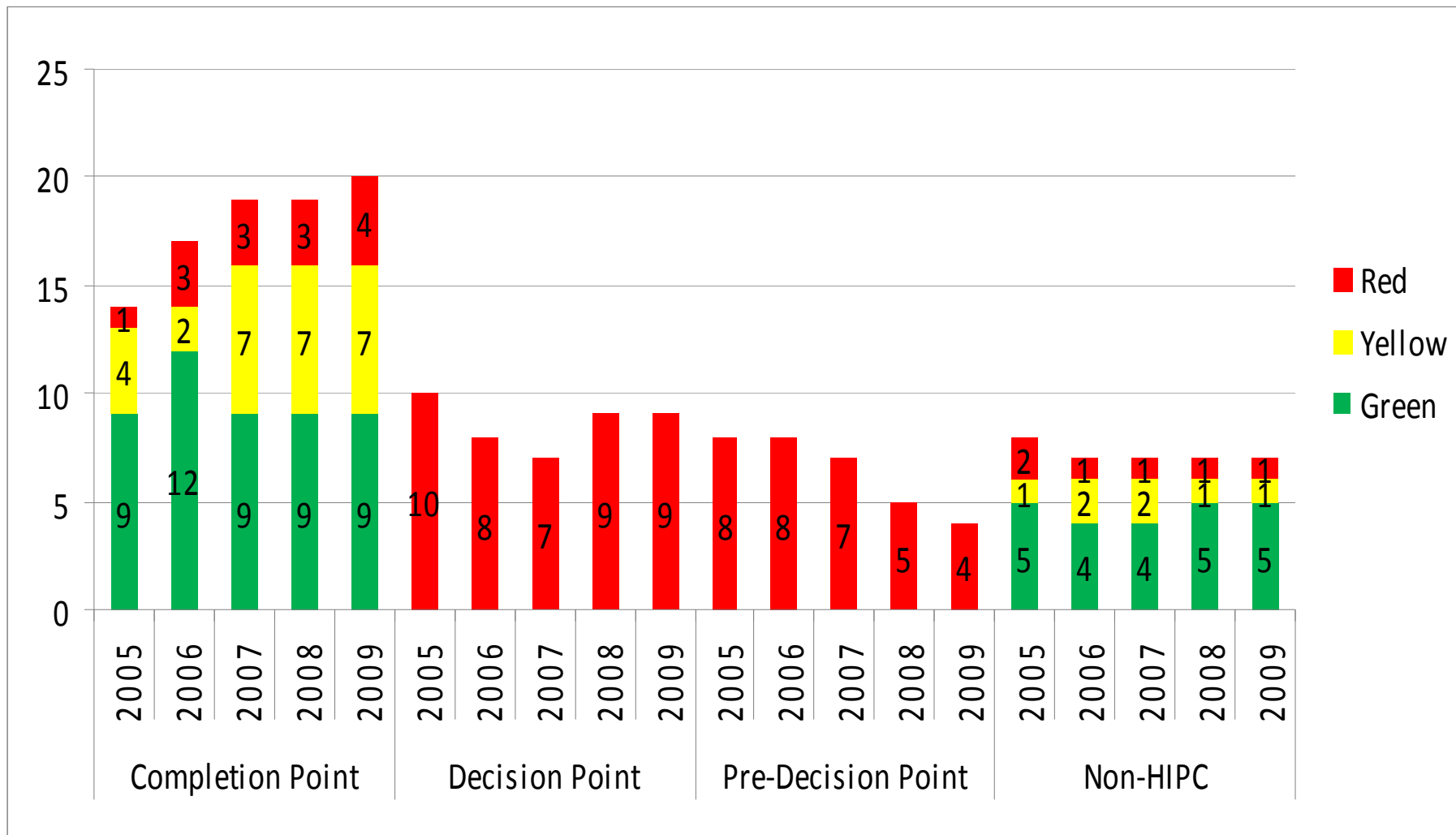
# Number of countries per DSF traffic light category, 2005-2009





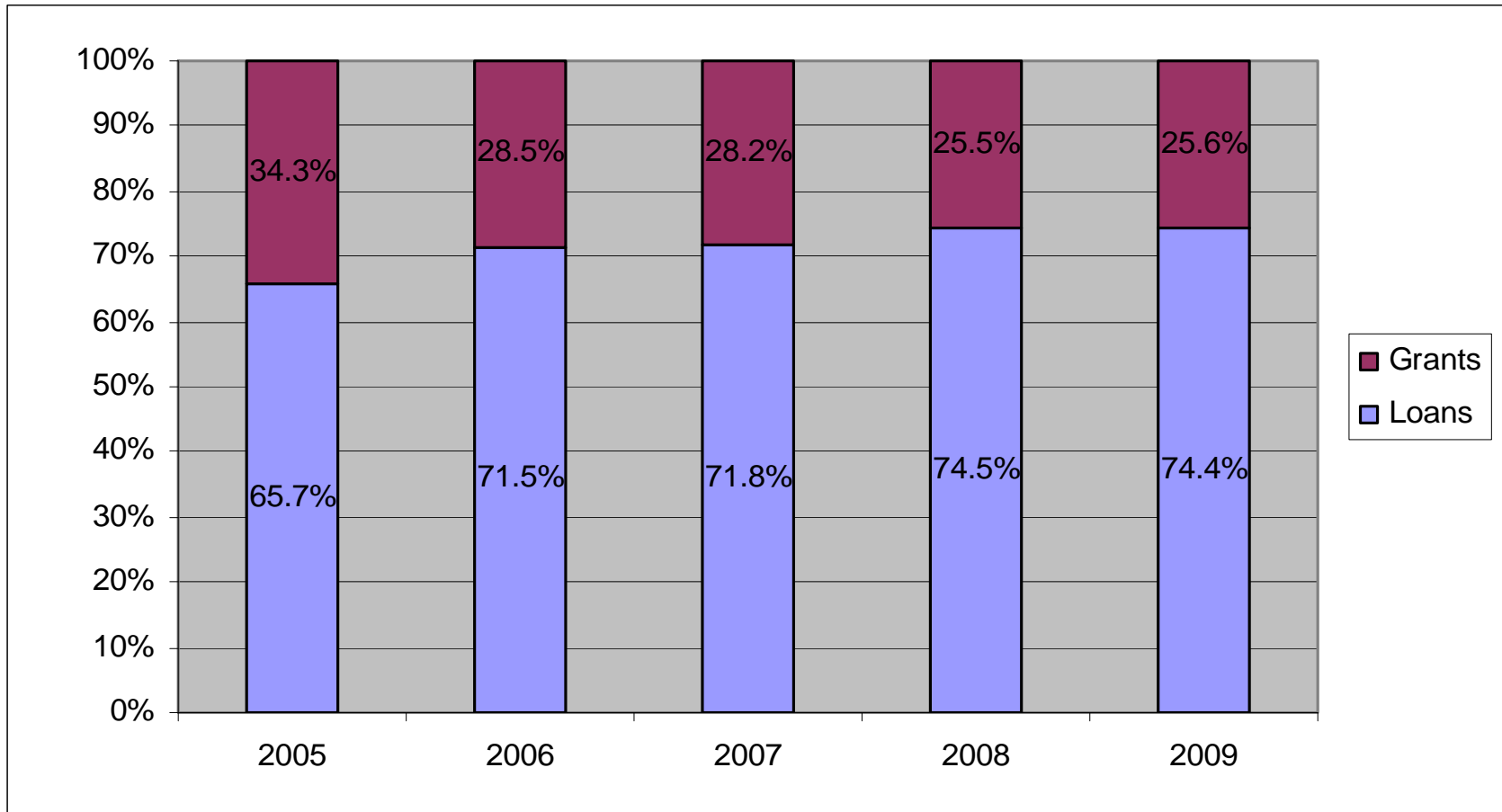


# Number of ADF Countries by HIPC Status and Traffic Light Designation, 2005-2009





# Share of loans and grants in PBA allocations, 2005-2009





## 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