AFRICAN DEVELOPMENT FUND

ADF-X/CM.2/2004/06

Meeting the Millennium Development Goals and Emerging Development Initiatives in Africa

Discussion Paper on a Notional Level of Replenishment for ADF-X

Consultations on ADF-X

May 2004
Kampala – Uganda
Discussion Paper on a Notional Level of Replenishment for ADF-X

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1. Introduction

1.1 The first meeting on the consultations for the Tenth Replenishment of the African Development Fund (ADF-X) took place in Geneva, Switzerland, on 16-17 February 2004. During this meeting, Deputies reviewed and endorsed Management’s Proposal for the Strategic Orientation of the ADF Activities under ADF-X. In endorsing this document, Deputies noted that poverty reduction and the promotion of sustainable economic growth should remain the overarching objectives of the Bank in all its 40 low-income regional member countries (RMCs). As a result, they endorsed Management’s proposals that the African Development Bank (Bank Group) operations through the concessional window of the African Development Fund (the Fund) must be scaled up in all RMCs.

1.2 The purpose of this paper is to develop a notional level for the tenth replenishment of the ADF based on the Bank’s Country Strategy Papers (CSPs). The CSPs are better focused, more selective and closely aligned to each country’s development and poverty reduction strategies and, where available, to interim and full Poverty Reduction Strategy Papers (PRSPs). While PRSPs capture the full range of development activities required to achieve the MDGs in a particular country, the CSPs are based on the Bank’s 2003-2007 Strategic Plan and, therefore, take into account: (i) the ownership of the development process by the country, (ii) the leverage provided by its development partners and (iii) selectivity in 2 or 3 key sectors, in any given country, to focus its intervention and take full advantage of the Bank Group’s core competencies and comparative advantage.

1.3 The Bank Group is seeking guidance from Deputies with respect to a target range for the ADF-X replenishment. Based on this guidance a proposal would be developed setting out different funding level scenarios and the impact of each on the Bank Group’s development mandate.

1.4 Against this background, the paper is divided into five main sections. Following, this introduction, Section 2 presents financial resources needed for the RMCs to meet the MDGs and respond to emerging development opportunities, namely the NEPAD, the Water Initiative, and the fight against HIV/AIDS and other communicable diseases. Section 3 recalls the Bank Group’s response and highlights the track record of reforms the institution has undertaken since 1996 to position itself strategically through building its capacity in order to deliver a larger volume of high-quality lending and non-lending activities in its 53 RMCs. Section 4 highlights the way forward in scaling up the Bank Group’s effectiveness as recommended by Deputies in Geneva. Section 5 provides an estimated lending level of ADF-X, for the Bank Group to continue supporting the development efforts of its RMCs. The Conclusion summarizes the issues being addressed and seeks guidance from the Deputies on how best to enable the Bank Group to deliver more fully on its mandate and scale up its activities in managing for results, building on the Monterrey Consensus, the Rome Declaration on Harmonization and the Joint Declaration of Marrakech.

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1 See A Proposal for the Strategic Orientation of ADF Activities under ADF-X: Achieving the Millennium Development Goals in Africa (ADF-X/CM.1/2004/01) dated January 2004

2 The International Roundtable on Managing for Development Results held on 5-6 February 2004 in Marrakech (Morocco).
2. Development Resources Needed to Achieve the MDGs

2.1 Various studies have been conducted on the incremental resource requirements of African countries to achieve the Millennium Development Goals (MDGs). In a paper prepared in 2002, the UN High-Level Panel on Financing for Development estimated that attaining the MDGs in all developing countries would require at least US$ 50 billion annually in additional aid, broadly implying a doubling of current ODA levels. The 2002 Global Poverty Report on achieving the MDGs in Africa estimated that, on top of the aid already being received, the additional resource requirements for the 30 or so African countries in need of additional external assistance and judged to be in a position to use aid effectively, an increase in assistance of some US$ 20-25 billion was necessary. This estimated incremental increase was based on the assumption of these countries maintaining and deepening their policy and institutional stance.

2.2 A recent study by the World Bank complements these estimates by focusing on the resource requirements of 18 countries with relatively good policies and accounting for approximately half of the world's poor and a third of global aid flows. The study concludes that, with continued policy and institutional reforms, substantial increases in aid can be effectively used in scaling up progress towards the MDGs. Furthermore, by extrapolating the results from these countries and taking into account the limits to absorptive capacities in non-performing countries, the study concluded that an additional US$ 30 billion could be effectively used by developing countries, most of which are in Africa, in their efforts to accelerate progress toward the MDGs. This amount contrasts sharply with the US$ 16 billion by which the international community has committed itself to increase aid volumes by 2006.

2.3 These broad orders of magnitude demonstrate the need for, and critical importance of, substantially increased aid levels to support the efforts of developing countries to achieve the MDGs, including benefiting from the new wave of development initiatives, particularly in the case of the ADF countries, which are among the poorest in the world. Levels of income and savings in these countries are extremely low, limiting the possibilities for increased domestic resource mobilization. The scaling-up of concessional resources, as recognized by the donor community itself, is therefore critical.

2.4 At the Monterrey Meeting on Financing for Development, consensus was reached among the major international development stakeholders, who pledged themselves to help meet the MDGs targets, inter alia by raising ODA transfers to the poorest countries. New financing vehicles, such as the Millennium Challenge Account, which would be funded, beginning in 2004, by increased core US ODA, to a total of US$ 15 billion by the end of 2006, have been proposed, with a strong focus on Africa. At the Doha WTO Ministerial Conference, increased attention was paid to the market access problems of low-income countries and the need to provide capacity building support to help African countries make full use of enhanced market access opportunities.

2.5 The UK with support from France has also proposed the International Finance Facility which would be built from long-term donor commitments to leverage additional resources from the international capital markets in order to raise the amount of development aid from just over US$ 50 billion a year to US$ 100 billion a year. Also during the Evian

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3 Nine of these countries are in Africa: Benin, Burkina Faso, Ethiopia, Madagascar, Mali, Mauritania, Mozambique, Tanzania, and Uganda.

4 See A Proposal for the Strategic Orientation of ADF Activities under ADF-X (ADF-X/CM.1/2004/2).
meeting in 2003, France announced that it would provide Africa with assistance amounting to nearly Euro 3 billion, representing half of France's total development assistance. In addition, Japan through the TICAD III process made a commitment to provide a total of US $1.0 billion in grant aid in support of NEPAD's priorities of health and medical care, education, water and agriculture with a special emphasis on the New Rice for Africa (NERICA).

2.6 The last two G-8 Summits in Canada, in June 2002, and in France, in 2003, expressed strong support to make an exceptional effort for Africa in meeting the MDGs with particular support to the implementation of NEPAD and the Water Initiative. As well, the G-8 has committed its support to a third initiative, fundamental to achieving MDGs, the fight against HIV/AIDS and other communicable diseases.

3. The Bank's Response: Building on the Track Record of Successful Reforms

3.1 The Bank Group's 2003-2007 Strategic Plan (Strategic Plan) was approved by the Boards of Directors in December 2002 and became effective on 1 January 2003. The strategy seeks to effectively reduce poverty through the promotion of productivity growth. The strategy is flexible enough, to enable the Bank to continue to adapt in response to diverse client needs and changing global opportunities. It proposes to enhance the development impact of the institution's activities through a greater selectivity of operations and the careful targeting of resources at the country level, taking into account the Bank Group's comparative expertise and experience, and that of its development partners using a strategic alignment of its resources be they human, financial or institutional. Lastly, the Strategic Plan seeks to further strengthen the Bank Group's institutional effectiveness to enable it to play a leading role as a center of knowledge and excellence on issues of African development.

3.2 Since launching its Strategic Plan, the Bank Group has pursued actions that maximize the development impact of its activities through a clear definition of its areas of strategic focus. This objective will continue to be actively pursued during the ADF-X period by taking into account the Bank Group's experience and core competencies as well as recognizing the areas in which other development partners may be better equipped to take the lead. To that end, the MDGs and the three important supporting development initiatives, which together set quantified targets for the poverty reduction agenda, provide an additional frame of reference for the Bank Group to further refine the focus of its activities and assess progress.

3.3 Whereas the Bank Group's operational focus will continue to reflect the key areas of intervention set out in its Vision Statement, within these areas it will continue to tailor its operations and develop its internal capabilities and partnership arrangements so as to maximize its contribution to the achievement of the MDGs and related development initiatives. Comparative advantage and poverty reduction impact will continue to be the key guiding principles. The Bank Group will not, therefore, attempt to finance all sectors in each of its borrowing countries. Instead, and in close consultation with the RMCs and other multilateral and bilateral partners, it will maintain a sharper operational focus, concentrating on a flexible set of core activities in which its expertise and experience and financial support are likely to have the greatest development impact.

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6 Summary by the Chair of TICAD III, Ministry of Foreign Affairs, Japan.
3.4 Accordingly, for the ADF-X period, the Bank Group through its Fund window will continue to give particular priority to allocating its resources towards agriculture and rural development, with greater emphasis being given to water and sanitation in rural and peri-urban areas, and to human capital formation through primary education and health services. Selective support, through a scaling up approach, will be given to infrastructure and public utilities where this is an essential component of rural development and human capital formation, a priority element in a specific RMC’s poverty reduction strategy, or a vital component of a NEPAD regional economic integration initiative.

3.5 Since the entry into effect of the Strategic Plan, the priority focus of the Bank Group has shifted from policy formulation to that of implementing policy, projects and programs. To that end, the Annual Review of the Strategic Plan (Annual Review) indicates that the Bank Group is engaged in further strengthening the organization through consultation on the future strategic orientations and thrusts of the private sector department, the establishment of an inspection function, and the implementation of a gradual and modular decentralization of its activities, all of which are important to the institution’s overall quest to achieve a higher level of efficiency in fighting poverty in order to achieve lasting results in its RMCs. In addition to the Annual Review, the Action Plan provides further detailed information on the measures being taken by the Bank Group to promote an in-depth implementation culture of its operations, with special emphasis being given to the low-income RMCs.

3.6 The Action Plan to Improve the Implementation of ADF Operations indicates that, despite the major disruptions caused by the relocation of its operations to the Temporary Relocation Agency (TRA), the Bank Group has successfully taken steps to become more effective and selective in its lending and non-lending operations. It also clearly underscores the fact that the institution as a whole, is better prepared than ever to play a leading role in assisting RMCs to take advantage of the three key emerging development opportunities.

3.7 Since 1995, the Bank Group has made substantial achievements in a broad range of areas, namely: (i) enhanced operational credibility and financial health of the Bank Group as well as the much stronger support from its shareholders; (ii) improved client responsiveness; (iii) strengthened partnerships; and (iv) increased transparency and improved communication with the Boards, clients and strategic partners. These reforms have also improved human resources management and training and have enhanced telecommunications and information technology systems, business processes innovations, corporate management improvements, financial management reforms, operational policy improvements, internal and external communications.
3.8 In commenting on the Bank Group’s main financial indicators, the Annual Review of the Strategic Plan records that they now compare well with those of the other MDBs. The Bank’s credibility is strengthened and during the 2003 Annual Meetings, many shareholders and development partners expressed their strong support for the institution’s recent operational achievements and its future strategic direction. The Bank is, therefore, achieving its strategic goal of maintaining its financial integrity. This was further underscored by the upgrade of the Bank’s credit rating to AAA by Standard & Poor’s, in July 2003, thus restoring the competitive position of holding the highest rating from the four leading rating agencies. The Bank Group’s financial performance, thus, provides a solid platform to pursue its development agenda, but this needs to be supplemented by an expanded base of concessional resources on which 40 of its 53 RMCs so heavily depend.

4. The Way Forward in Operational Priorities

4.1 In line with the comments made by members of the Board of Governors at the 2003 Annual Meetings, during the meeting in February 2004 in Geneva, Deputies noted that the Bank Group had indeed made much progress in developing a comprehensive and coherent policy framework to guide its operations. They welcomed both the adherence in the Strategic Plan to the priority areas that had been agreed under ADF-IX and the fulfillment of the lending programs in 2002 and 2003, despite the difficult circumstances then prevailing. Deputies further commended the Bank Group’s work to enhance its development effectiveness and establish a results measurement framework. They also welcomed the enhanced performance-based allocation (PBA) system for concessional resources but some cautioned against too wide a differentiation in per capita allocations. Deputies also asked that the relative weight of poverty and governance in the PBA be reviewed and stressed the need for greater transparency and dialogue with RMCs.

4.2 Deputies indicated that the major challenge now facing the Bank Group is implementing its Strategic Plan, policies, projects and programs, and urged the institution to become more proactive in the implementation process. In addition, they requested that the Bank: (i) further enhance the quality of CSPs building on the second generation PRSPs; (ii) assist countries to assume greater ownership of their PRSPs while aligning national budgets to these strategies; (iii) pay particular attention to the needs of low income countries under stress; (iv) consider expanding the Fund’s presence in the RMCs and delegate more authority; and (v) strengthen harmonization and coordination efforts with partners.

4.3 While fostering a strong implementation culture, the Bank Group will, therefore, seek to maintain the focus of its ADF operations on poverty reduction and productivity growth, with a view to accelerating economic growth.

5. Estimated Bank Group Lending Program during the period of ADF X

**Overall Framework**

5.1 The preparation of the pipeline of projects, programs, and grants eligible for lending operations during the ADF-X period has been grounded on the principle of an alignment with the pillars of the Strategic Plan for the 2003-2007 period, namely selectivity, country-
ownership, enhanced partnership and the quest for development effectiveness and results; and the assumption of an expected increase in the number of performing RMCs.

5.2 Within the overall framework of the Strategic Plan, the projects pipeline for the period of ADF-X has been developed around the following four key drivers. Firstly, a top priority was given to aligning all the projects and programs selected on the MDGs, and the three major emerging development initiatives by the targeted 40 low-income RMCs. Secondly, a premium was put on lending to RMCs with good performance ratings and good governance and which have some track record of strong commitment to reforms and to building quality institutions. Thirdly, particular attention was paid to selectivity by limiting the number of projects and programs by country, across countries and in the sub-regions. Lastly, an increased level of grants was directed to social sector activities, in particular to the fight against HIV/AIDS and other communicable diseases, to capacity building initiatives and reconstruction projects, but with a greater emphasis being placed on RMCs under stress by stepping up support for their re-engagement with donors' reforms programs.

5.3 The proposed pipeline has also been built on the assumption that the number of performing ADF-RMCs is expected to grow significantly over the period of ADF-X, in particular with the entry into effectiveness of the Post Conflict Country Facility (PCCF). The critical consideration relates to the broad issue of the absorptive capacity of RMCs to use additional resources effectively. The recent status of implementation of the enhanced HIPC program indicates that only 4 RMCs had reached completion as at June 2002, at the commencement of ADF-IX. This number has since grown significantly to 10 as of April 2004 and is projected to rise further to some 23 by 2007. When combined with the 7 non-HIPC RMCs, the effects of this favorable trend will bring to 30, at least, the number of low-income RMCs, which are projected to achieve debt sustainability. This will be accomplished with support from donors and creditors as each RMC strives to reach the MDGs and other major complementary initiatives, keeping new borrowing in step with their capacity to repay, adopting better policies and institutions that help accelerate growth, managing debt prudently, and increasing resilience to exogenous shocks. As well, taken together, this expanding group of performing RMCs will generate an overall increase in demand for Fund concessional resources and grants. Such increased demand will be directed particularly to multi-sector activities that are destined to enhance efforts to improve governance, build institutional capacity and improve the enabling environment that is necessary for private sector development, with special emphasis on SMEs.

5.4 One of the Bank Group's strategic objectives is to maximize its development impact by extending its outreach to the largest number of African beneficiaries. By clearing the arrears of PCCs, the Bank Group would be able to reduce the number of countries under sanction. In doing so, it would create opportunities for resuming operational programs with a additional key group of 7 countries including Sudan, Liberia, Burundi and Congo where, with growing stability, positive signs of change are taking place, and which urgently need the Bank Group's assistance to maintain that impetus. It is quite likely that more than one PCC will be ready for an arrears clearance operation in 2004 and two to four in 2005, as part of a program led by the IMF and IBRD and supported by the international community. By clearing PCC arrears, the ADF would be able to increase the number of active countries by about 30 percent. Subject to the availability of resources, arrears clearance programs would be completed in the shortest possible


timeframe in order to accelerate positive concessional resource transfers from the Bank Group to the PCCs and to step up initiatives to launch early vital pro-poor growth rehabilitation and reconstruction projects and programs and to begin the process of developing medium-term poverty reduction strategies and programs. Prior to full arrears clearance, PCCs would have access to grants for technical assistance from the ADF window. In addition to triggering short and medium term financial and technical assistance, arrears clearance is a prerequisite for PCCs to qualify for debt relief under the HIPC debt relief initiative. Debt sustainability is a fundamental element of the long-term recovery outlook for PCCs and therefore qualifying for HIPC debt relief is an essential element of their re-engagement programs.

5.5 Within this framework, the pipeline has been based on the most recent 30 CSPs and 2 CDPs approved by the Boards in 2003 that are more selective, and which give more importance to leveraging opportunities and partnerships development. These CSPs clearly state those areas where the Bank Group expects to do more in each RMC and those where it intends to do less over the next three years. As such, they are well focused and closely aligned to each country’s development and poverty reduction strategies and, where available, to interim and full PRSPs.

5.6 Accordingly, the proposed pipeline of future lending clearly reflects the Bank Group’s engagement in the enhanced participatory PRSP/CSP process that has involved consultations with clients and partners, including civil society and the private sector. Development of this indicative lending pipeline has also involved an intense internal consultative process within and between the two Operations Complexes, and between these Complexes and the PRVP, Finance and CMVP Complexes. In this framework, it was proposed that the Bank Group continues to leverage available lending resources by arranging co-financing with bilateral and multilateral institutions and, in the case of private sector operations, with private banks and equity investors. When the Bank Group is the lead agency, as set out in the Plan, target co-financing will be at least 25% of the Bank Group’s financing.

The ADF-X Project Pipeline

5.7 The Fund’s overall pipeline of projects for ADF-X is estimated at UA 4.5 billion. This indicative pipeline is very preliminary and subject to further analysis that may modify the total upwards or downwards. It is derived from the development needs of the ADF-RMCs, as expressed in their PRSPs and the corresponding Bank Group CSPs, and reflects the Bank Group’s enhanced implementation capacity to deliver on a higher volume of high-quality lending activities. A comparison of this indicative range for ADF-X with the ADF-IX replenishments, by sector shares is presented below.

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17 It is important to note that unlike the CSPs, CDPs are prepared for RMCs in crisis or post-conflict; they provide an update of the status of the concerned RMC’s current debt situation and progress in the peace process, as well as illustrative approaches for its arrears clearance, the normalization of its international financial relations, and its eventual access to HIPC debt relief. They were therefore prepared for Burundi and Congo. A further two CDPs for Eritrea and Sudan, prepared in 2003, were approved by the Board in February 2004.
5.8 Summary details of the indicative pipeline are presented in Tables 1 to 3 in the Annex. In particular, Table 2 presents the pipeline by type of operation, with national projects totaling UA 2.83 billion (63%), PBLs of UA 0.74 billion (17%) and regional and multinational operations of UA 0.89 billion (20%).

5.9 The composition of the pipeline continues to evolve in line with the Strategic Plan priorities and the recommendations from the Deputies whereby the Bank Group will firstly seek to maintain the focus of its ADF operations on poverty reduction and productivity growth – but giving greater emphasis to accelerating economic growth. Secondly, the operational priority areas of ADF-IX will be maintained in the context of ADF-X, but with greater weight being given to: (a) governance and improving the investment climate; (b) regional cooperation and integration in the context of NEPAD; (c) rural water supply and sanitation; (d) mainstreaming the fight against HIV/AIDS and other communicable diseases; and (e) adopting a more strategic approach to the challenge of capacity building. Thirdly, the Bank Group will consolidate the various initiatives that are in hand to enhance its development effectiveness and strengthen the process of measuring results. Lastly, the Bank Group will continue to adapt its financial instruments and analytical tools in order both to enhance its response to the growing differentiation among its RMCs, in particular among the ADF-only countries, and to deepen its interventions in post-conflict countries to better meet their specific needs.

5.10 The Strategic Plan provides detailed justification for the choice of these mutually and reinforcing and interlinked strategic sectors. Within this framework, the indicative pipeline anticipates that, over the ADF-X period, the distribution of the sectors will reflect the following: (i) social sectors for human capital development, 30 percent to 35 percent of the replenishment; (ii) 20 to 25 percent for agriculture and rural development; and (iii) 20 to 25 percent for infrastructure. The latter excludes water and sanitation projects that constitute a specially targeted area for the Bank and which have been included in the social sector. The balance of funding is to be directed to multi-sector operations. Overall, this indicative pipeline, which reflects priorities identified in the PRSP/CSPs process, continues to emphasize the priority being given to the social and agriculture and rural development sectors, as well as to the infrastructure sector where this is perceived as a vital component of development or economic integration. These sectors, which will account overall for some 70
to 85 percent of projected Fund’s operations, are expected to have a direct impact on the lives of the poor and their well-being in the targeted 40 low-income RMCs, whose combined populations total nearly 640 million.

5.11 Table 3 provides an analysis of the pipeline by lending instruments, which demonstrates that specific investment operations comprising project loans, including possible grant operations,\textsuperscript{18} lines of credit and SWApS constitute the largest share with UA 3.72 billion, with policy-based-operations (PBLs) totaling some UA 0.74 billion. The PBLs cover all structural and sector adjustment loans, including budget support operations. Regarding the possible grant component included in project financing, this new financing instrument was introduced under the ADF-IX cycle and is designed to provide support to RMCs in addressing specific challenges, such as that of communicable diseases, especially the HIV/AIDS pandemic, in participating in the reconstruction and rehabilitation of post-conflict countries and in providing emergency relief support to countries affected by natural disasters.

5.12 In addition, the pipeline confirms the strategic orientation taken by the Bank Group to avoid dispersion of scarce concessional resources on a larger number of low impact operations. As a result, project loans will not normally be smaller than UA 5.0 million for any RMC, even in the case of very small countries.

6. Conclusion

6.1 It is fair to say that a strong consensus has been reached among the international development stakeholders on the urgency to support efforts of developing countries for attaining the Millennium Development Goals. This consensus is supported by an explicit commitment to increase ODA substantially as confirmed in prominent forums such as the Monterrey Meeting on Financing for Development, Doha and the two latest G8 Summits in Canada and France.

6.2 Many countries of the donor community, however, are facing tough economic challenges at home and coping with the pressures they create on national budgets. Furthermore, recent developments on the international scene have resulted in the need to mobilize large sums for a few countries putting further pressure on funds available for the developing world. A further confirmation of the donor community’s resolve is the search for new and innovative resource mobilization mechanisms such as the initiative to create a bond fund to double ODA through long term borrowings.

6.3 Against this backdrop of constraints, however, there is a particular concern for Africa’s uniquely challenging development context. This is demonstrated by the keen interest in key initiatives that address specific African issues: (i) NEPAD was strongly endorsed at the 2002 G-8 Summit, (ii) the African Water Vision was strongly supported at the 2003 G-8 Summit and (iii) the fight against HIV/AIDS and other communicable diseases is attracting attention and extra funding. These initiatives directly support the MDGs in African countries and the Bank Group is implementing small special purpose multi-donor trust funds to make rapid progress on these particular issues.

6.4 The reforms undertaken by the Bank Group since 1995, and the achievements made in several areas, in particular the enhanced operational credibility; the improved client

\textsuperscript{18} The issue of determining the level of grant operations to be financed from ADF-X resources will be resolved in the context of the IDA-14 negotiations that are currently in hand.
responsiveness; the strengthened partnership with other development agencies; and the increased transparency and improved communication with stakeholders, have positioned the Bank Group as the premier development finance institution on the Continent. The proposed estimated pipeline for lending under ADF-X is based on a thorough process of selective pipeline building and reflects the needs as expressed by the countries in the CSPs, the improved country performance and the capacity of the Bank Group to deliver the high quality projects to which it has been accustomed.

6.5 The needs of Africa, as expressed through PRSPs, the Bank Group’s pipeline of projects derived from its CSPs and its growing institutional capacity justify a significant increase in the current ADF replenishment over previous replenishments. Guidance is sought from Deputies on the general orientation of the final document to be prepared for the next ADF-X meeting and the indicative level of resources the Bank Group should be seeking.
## SUMMARY TABLES OF PIPELINE ESTIMATES FOR ADF-X

### Table 1: Estimated Number of Projects for ADF-X Lending

(Amounts in UA million)

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<thead>
<tr>
<th>Item</th>
<th>ADF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Project</td>
</tr>
<tr>
<td>Number of operations</td>
<td>170</td>
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<tr>
<td>Volume (Amount)</td>
<td>3,601.1</td>
</tr>
<tr>
<td>Average Size of Operation</td>
<td>21.4</td>
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### Table 2: Distribution of the Estimated ADF-X Lending by Type of Operation

(Amounts in UA million)

<table>
<thead>
<tr>
<th>Item</th>
<th>ADF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Project</td>
<td>Grant</td>
</tr>
<tr>
<td>National Projects and Grants Operations</td>
<td>2,127.08</td>
<td>702.35</td>
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<tr>
<td>Policy-Based Operations</td>
<td>740.00</td>
<td>-</td>
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<tr>
<td>Regional &amp; Multinational Operations</td>
<td>734.00</td>
<td>156.67</td>
</tr>
<tr>
<td>Total 2005-2007 Pipeline</td>
<td>3,601.08</td>
<td>859.02</td>
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Table 3: Distribution of the Estimated ADF-X Lending by Lending Instrument  
(Amounts in UA million)

<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>ADF</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Project</td>
<td>Grant</td>
<td>Total</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Specific Investments</td>
<td>2,861.1</td>
<td>-</td>
<td>2,861.1</td>
<td>64.1%</td>
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<tr>
<td>Policy-Based Lending</td>
<td>740.0</td>
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<td>740.0</td>
<td>16.6%</td>
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<tr>
<td>Grants</td>
<td>-</td>
<td>859.0</td>
<td>859.0</td>
<td>19.3%</td>
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<tr>
<td>Total Loans and Grants</td>
<td>3,601.1</td>
<td>859.0</td>
<td>4,460.1</td>
<td>100.0%</td>
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