Long-Term Financial Integrity of the ADF

Discussion paper

ADF-11 Replenishment : Second Consultation Meeting
June 2007
Tunis, Tunisia

AFRICAN DEVELOPMENT FUND

TABLE OF CONTENTS

LONG-TERM FINANCIAL INTEGRITY OF THE ADF

PURPOSE & SUMMARY

The purpose of this paper is to respond to the request of the Deputies during the First ADF-11 consultation Meeting in Dar Es Salaam for an analysis emphasizing the impact of debt relief initiatives and increased grant funding on the long-term financial capacity and integrity of the Fund.

Internally generated financial inflows based on past operations (i.e.,pre-ADF-11 commitments) are projected to range from UA 390 million during ADF 11 to a maximum of UA 1,203 million during ADF 18. These resources, which underpin the level of the ACC in the medium term assume full compensation by donors, as promised for past debt relief initiatives. Without any compensation, they would be about 45% lower.

Assuming as a base line scenario that ADF is fully compensated for MDRI and grants and that basic new donor contributions are maintained in real terms (assuming 2% annual inflation), a simulation of the future commitment capacity of the Fund with the Fund's Advance Commitment Authority (ACA) model shows that future commitment capacity will grow at an average growth rate per replenishment of 2.71% in real terms through ADF-26.

In order to shed further light on the potential impact on the long term financial integrity of ADF of any shortfalls in donor compensation for MDRI and grants reflows, sensitivity analyses on the baseline scenario were carried out. These simulations show that a 20% shortfall in donor fulfillment of commitments would result in a reduction in ADF capacity through ADF-26 that ranges from a minimum of UA 139 million in ADF-11 to a maximum of UA 269 million in ADF-26 in real terms (i.e. in today's prices). This would represent 9% and 8%, respectively, of the ACC level in ADF-11 and ADF-26 in the baseline scenario analyzed, and would result in an average growth rate per replenishment of 2.41% through ADF-26, as compared to the 2.71% mentioned above for the base case.. For a 45% shortfall, the corresponding numbers would be UA 313 million (19%) and UA 414 million (12%), and a corresponding average growth rate per replenishment of 2.27%

LONG-TERM FINANCIAL INTEGRITY OF THE ADF

1. INTRODUCTION

1.1 During the ADF-10 mid-term review meeting in The Hague (Netherlands) on 8 – 9 December 2006, Deputies requested a review of the long-term financial integrity of the African Development Fund, in light of recent debt relief initiatives and increases in grant funding. Following a review of the requested document at the first ADF-11 replenishment meeting in Dar Es Salaam, (Tanzania) on 14-15 March 2007, Deputies requested that a revised document emphasizing the impact of debt relief initiatives and increased grant funding on the Fund's long term financial integrity be prepared for the second ADF-11 replenishment meeting. This paper responds to this request.

1.2 This paper is organized into four sections. Following this introductory section, section 2 summarizes the evolution of ADF subscriptions in nominal and real terms. It also analyses the evolution of internally generated resources based on donor commitments up to and including ADF-10. Section 3 examines the future financing capacity of the Fund based on existing commitments including the pledge to maintain donor subscriptions during future replenishments at least at the ADF-10 level in real terms. This section also carries out sensitivity analyses on future financing capacity with respect to both foregone principal reflows due to increased grant funding and MDRI compensation levels. Section 4 provides some concluding remarks.

2. FINANCIAL RESOURCES OF ADF

2.1 The African Development Fund (The Fund) was established in 1973 by the African Development Bank (The Bank) and a number of State participants to assist the Bank in making an increasingly effective contribution to the economic and social development of the Bank's members[1] and to the promotion of co-operation and increased international trade, particularly among such members. The Fund's resources come from two main sources: (i) subscriptions by State participants (donor subscriptions) that normally follow a three-year cycle and (ii) internally generated resources.

Donor Subscriptions

2.2 The initial subscription of the Fund amounted to UA 173.7 million of which UA 4.6 million was contributed by the Bank and the balance by State participants. This amount was augmented by a special contribution of UA 41.1 million bringing the total amount of resources available during the Fund's initial period (ADF-I) to UA 214.7 million. During the first replenishment of the Fund (ADF-1), subscriptions by State participants (donor subscriptions) increased to UA 268.6 million. As indicated in Annex 1, donor subscriptions grew steadily in both nominal and real terms during subsequent replenishment exercises reaching a peak of UA 2.44 billion during ADF-6. The growth momentum was however interrupted with the protracted ADF-7 replenishment negotiations that culminated in a substantial decline in donor subscriptions to only UA 1.33 billion, despite special contributions of a total of UA 271.51 million by certain donors. After ADF-7 donor subscriptions resumed growth from the reduced ADF-7 base and reached UA 2.43 billion in ADF-10. The ADF-10 donors' subscriptions represented a decrease of 24% in real terms, compared to ADF-6.

2.3 Total donor subscriptions from the initial subscription to ADF-10 amounted to UA 15.48 billion in nominal terms equivalent to 81% of total ADF resources available for

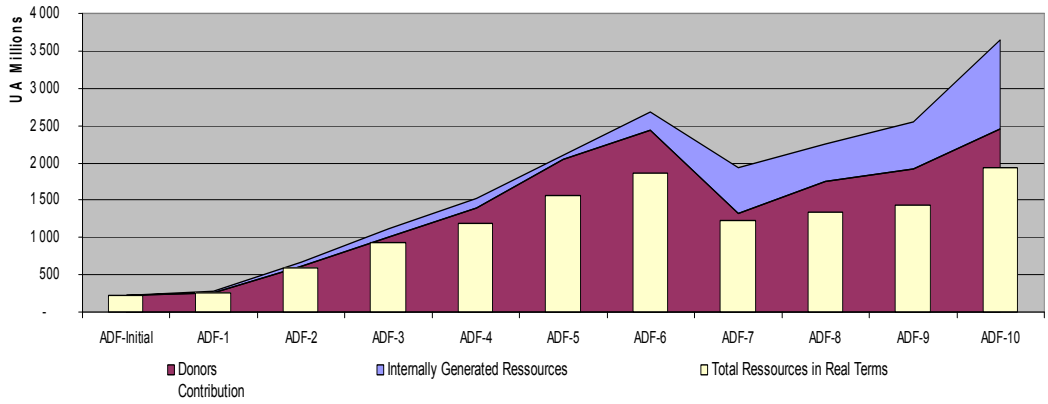
[1] At the time the Fund was created, the membership of the Bank was limited to independent African States.

commitment since inception of UA 18.98 billion. The balance of the resources comprising ADF internally generated resources[2] and transfers from the Bank accounted for 18% and 1% respectively.

Internally Generated Resources

2.4 As indicated in graph 1 below, the contribution of internally generated resources was limited until ADF-6, when the amount increased substantially due to a higher level of loan repayments and cancellations and the longer replenishment period due to delays in completing ADF-7 replenishment negotiations. The sharp increase in internally generated resources during ADF-10 is attributed to the change in the method for estimating internally generated resources to the advance commitment authority scheme (ACA)[3], under which ADF uses its stream of expected future credit reflows to back disbursements on approved credits and grants. This had the effect of doubling the volume of internally generated resources for the ADF-10 period.

Graph 1: Historical Evolution of ADF Resources since Inception in Nominal Terms (Amounts in UA Million)



2.5 In real terms, using an historical long term SDR inflation rate of 2%[4] per annum, total ADF resources grew at an annual rate of 41% from ADF-1 to ADF-6 and following a sharp decline during ADF-7, at an annual rate of 17% from ADF-7 to ADF-10. As indicated in Annex 1, total ADF resources in real terms since inception amount to UA 12.56 billion.

2.6 It is worth noting that had the growth momentum in donor subscriptions that was evident from ADF-1 to ADF-6 been maintained, donor subscriptions during ADF-10 would have reached a level of approximately UA 3.9 billion, as indicated in graph 2 below. Alternatively, if ADF-6 were taken as a benchmark period and donor subscriptions during replenishments post ADF-6 maintained at the ADF-6 level in real terms, donor subscriptions during ADF-10 would have increased to UA 2.92 billion in nominal terms.

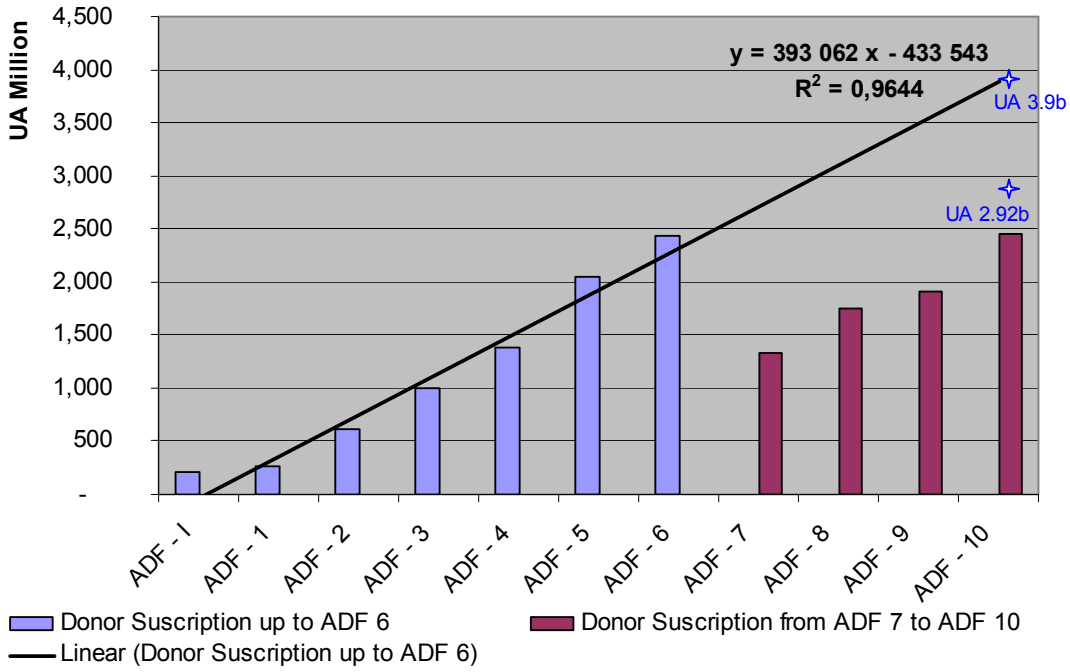
---

[2] ADF internally generated resources comprise loan repayments, loan cancellations and ADF surplus (deficit) for replenishments up to and including ADF-9 and the advance commitment capacity for ADF-10.

[3] Rather than base the contribution of internally generated resources to a replenishment's commitment capacity on the actual volume of resources generated internally during the replenishment period, the volume of commitments is estimated as the maximum commitment that the Fund can make on the basis of internally generated resources while maintaining liquidity above the prudential minimum level as prescribed by the Fund's liquidity policy (prudential level equals to 50% of following year's projected disbursements).

4 The 2% assumed inflation rate compares closely with the average SDR inflation rate between 2002-2007

Graph 2: Extrapolation of Donor Subscriptions Based on pre-ADF-7 Subscriptions (nominal terms)

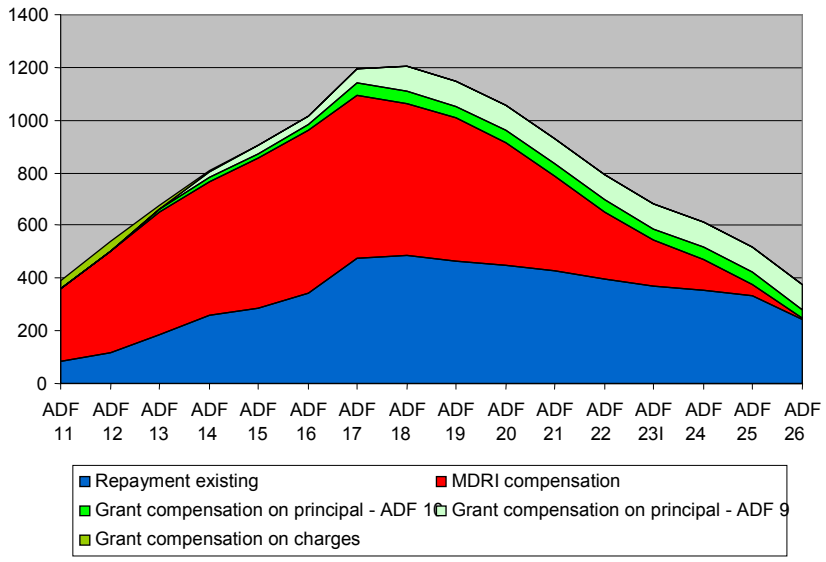


Evolution of Future Reflows from Pre-ADF 11 Operations

2.7 Graph 3 below presents the evolution of future reflows based only on pre-ADF-11 operations in nominal terms, assuming full compensation as promised for loans cancelled under MDRI.

.

Graph 3: ADF Projected Loan Reflows from Existing Operations up to ADF-10 (Amounts in Nominal UA Million)



2.9 Indeed, future reflows will come mainly from regular repayments from loans that are currently disbursed and outstanding as well as projected new disbursements from undisbursed loan balances as at 31 December 2007, MDRI compensation and compensation for foregone principal repayments due to increased grant funding during ADF-9 & 10. These resources are projected to increase from UA 390 million during ADF-11 to a maximum of UA 1,203 million during ADF-18 and then to decline from then onwards as indicated in Graph 3. The Fund would have to limit its future funding operations to these relatively small amounts if new donor subscriptions were not available.

2.10 Moreover, if donor pledges to compensate the Fund for increased grants and loans cancelled under MDRI do not fully materialize the Fund's operations would be further reduced. This underscores the need for donors to honour pledges to compensate the Fund debt relief initiatives and continued strong support in the form of enhanced levels of subscriptions during future replenishments.

3. FUTURE FINANCING CAPACITY

3.1 This section of the report will begin with a brief summary of the ACA model. It will then present the assumptions on which preliminary estimates of the Advance Commitment Capacity (ACC) for ADF-11 are based. The results of sensitivity analyses highlighting the impact of different levels of donor compensation for grants and MDRI on future ACCs will also be presented. The section will conclude with the observation that the number of ADF beneficiary states is expected to remain the same in the medium term as no members are projected to graduate.

ACC model

3.2 The conceptual framework for an ACA scheme begins by notionally splitting commitment capacity into two components: i) commitment capacity attributable to new Donor contributions; and ii) commitment capacity from all other sources[5]. Consistent with the philosophy behind replenishment-specific encashment schedules, an ACA scheme assumes that disbursements against commitments attributable to donor contributions (the first component) will be covered by the encashment of the corresponding notes deposited by donors. Given this direct pass through of donor contributions, the ACC model developed for the Fund seeks to determine the level of loan and grant commitments from all other sources (the second component) that the Fund can make and still have sufficient internally generated liquidity to comfortably meet all reasonable disbursement requests.

3.3 The ACC model is built around a simple three-step projections process. It starts by estimating the amount of liquidity available at the beginning of the first year of the replenishment cycle that is not derived from the encashment of donor obligations. In the next step, the model estimates the Fund's net cash flows for the year, excluding any disbursements to loans that are directly funded by the encashment of donor obligations. In the third step, the projected net cash flow during the year is then added to the liquidity at the beginning of the year to estimate the liquidity at the end of the year. The same process is repeated for subsequent years. As the constraining limit during successive iterations of the three-step process, the ACC model computes the ratio of disbursements during any given year compared to the liquidity at the end of the previous year. The model then determines the maximum level of advance commitments the Fund could provide while ensuring that the projected level of liquidity does not fall below the 75% the upper boundary of the liquidity range prescribed by the Fund's liquidity policy[6].

[5] The other sources include loan repayments, grant compensation, MDRI compensation, loan cancellations. ADF surplus and transfers from the ADB

[6] The lower boundary of the liquidity range is 50%. The use of the upper boundary of the liquidity range is consistent with the practice during ADF-10 and results in a conservative estimates for ACC.

Core assumptions

3.4 Due to the long maturity nature of ADF lending (50 years) and the extended disbursement profile (10 years), it is necessary to analyze the Fund's financial integrity over a minimum 50 years horizon so as to capture the full impact of the Fund's cash flows over an entire project cycle from loan signature to full repayment. Furthermore, due to the highly concessional nature of ADF's loans it is imperative that financial values are considered in both nominal and real terms.

3.5 MDRI has altered the Fund's financing framework by canceling certain future loan reflows (starting in 2006) that had already been committed in advance under a prior ADF replenishment (ADF-10), and by lowering the volume of loan reflows that will become available to support future ADF financing operations. However, the canceled loan reflows will be fully compensated for by donors. The core assumptions used in this section reflect this commitment by donors. Nevertheless, in the next sections of this paper these core assumptions will be challenged in the light of MDRI implementation experience to date.

3.6 Table 1 below lists the core financial assumptions used in simulating the base case level of the Fund's Advanced Commitment Capacity (ACC) over several replenishments and the related sensitivity scenarios disclosed in the rest of this paper. The ACC combined with new donor subscriptions constitute the envelope of resources available for commitment during each replenishment period.

Table 1: Core financial assumptions

Donor contribution in future ADF replenishments	For purposes of the base scenario and without prejudice to indications by certain donors for higher levels of replenishment donor subscriptions during future replenishments are conservatively assumed to remain unchanged in real terms. In other words, the nominal amounts are assumed to increase by 2%[7] per year the assumed rate of inflation.
Debt relief costs	In addition to regular contributions donors would cover 100% of MDRI costs for all HIPC countries[8] (on forgone principal & interests) through additional contributions in future replenishments on a pay-as-you-go basis without leaving a financing gap. Any additional, future debt relief to be provided by the Fund would similarly be covered through additional donor contributions in the same proportions.
Grant costs	In addition to regular contributions donors would finance foregone principal reflows due to grants through additional contributions in future replenishments, on a pay-as-you-go basis. Compensation on principal is estimated as 1% of the disbursed and outstanding grant amount from year 11 to 20 (assuming a grace period of 10 years), and at 3% from year 21 to 50. Foregone charges income is included as a volume discount on subscriptions (as upfront compensation equivalent to 11.9% of the grant disbursement amount). Assumed is a grant share of 28%, in line with the actual average share in ADF-10.
Loan charges	Fixed service charges of 75 bps ; commitment charges of 50bp on undisbursed amounts commencing 120 days after loan signature
Administrative expenses	Increasing by 3% per year, starting from 2008
ADB transfers	Constant at UA 10m per year, starting from 2008 as in past replenishment cycles.
Repayment sensitivity factor	Repayment flows maintained constant at 85% of expected loan repayments to account for delayed repayments by countries in arrears to the Fund
Disbursement sensitivity factor	Reduction in disbursement flows maintained constant at 93.18% of signed loans to account for grant compensation and loan cancellations.
Prospective investment return rate	Constant at 4.45%, equal to the current rate of return on ADF liquid investments.
Minimum prudential level of annual liquidity	75% of next year projected disbursements
Loan cancellations and savings	Constant at UA 100 million per year in nominal terms

[7] As indicated previously the 2% rate is the average UA (SDR) annual inflation rate over the past five years.

[8] Benin, Burkina Faso, Burundi, Cameroun, Central African Republic , Chad, Comoros, Congo, Cote d'Ivoire, DRC, Eritrea , Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau , Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zambia.

Simulation of future assistance capacity

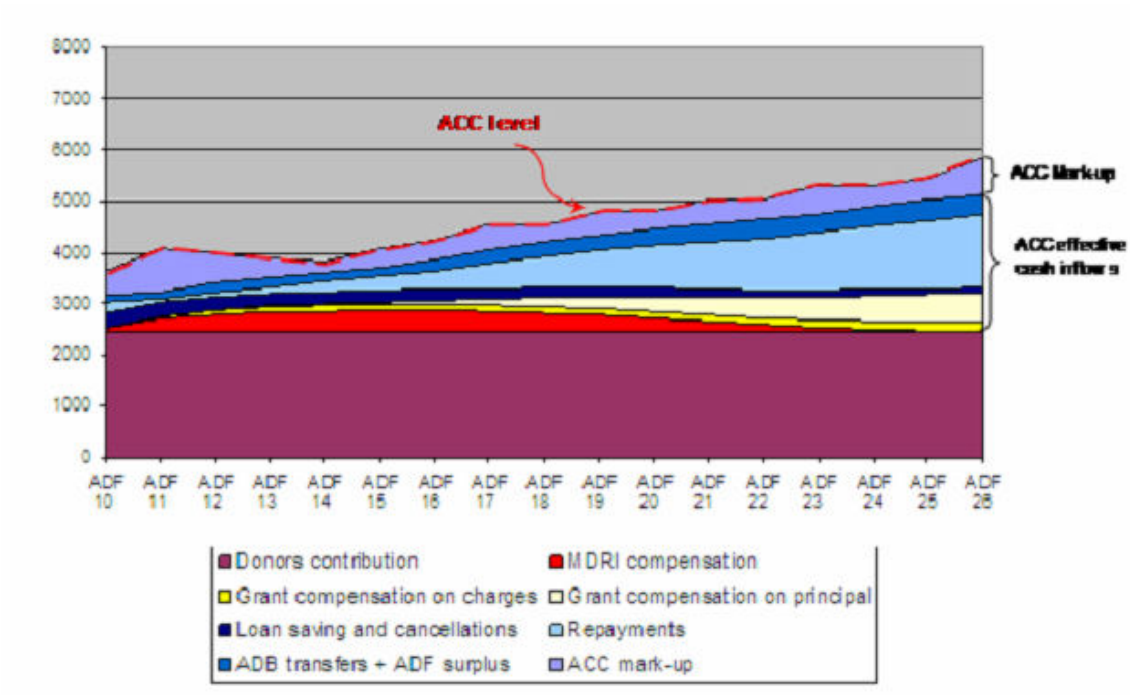
3.7 The Fund's future assistance capacity will depend on the volume of available future donor contributions and internally generated resources estimated using the Advance Commitment Authority scheme (ACA). In projecting commitment capacity during future replenishments based on internally generated resources, the objective is to maintain the ACC at a level such that the liquidity ratio is always maintained at or above 75%. The base case scenario shown in the Graph 4 below optimizes the volume of internal resources to be made available during each replenishment period whilst maintaining the level of future liquidity at or slightly above the minimum prudential level and is based on the assumptions listed in Table 1.

3.8 As shown in Graph 4, and Annex 3 the Fund's total development resources per replenishment comprising donor subscriptions and the ACC and assuming no carryovers would grow at a rate of approximately 2.71% per replenishment from UA 4.084 billion during ADF-11 to UA 5.834 billion during ADF-26 in real terms (assuming an annual long-term inflation rate of 2%), compared to real growth rate for total ADF resources of 16 % observed between ADF-7 and ADF-10. This growth is attributable exclusively to the 6.59% real growth in ACC from UA 1.627 billion in ADF-11 to UA 3.377 billion in ADF-26.

3.9 The impact of MDRI is fully neutralized as donors are assumed to provide the required contributions to replace forgone reflows in addition to the baseline replenishments.

3.10 The impact of grants on lowering available loan repayments would only become apparent over the long-term, because of the long-maturity and the back loaded repayment schedule of ADF loans indicated in the assumptions as no repayment occurs during the first 10 years and only 10% of loans are repaid from year 11 to 20.

Graph 4: Future ADF Development Assistance Capacity in Real Terms with 100% Grant and MDRI Compensation (Amounts in UA Million per replenishment)



3.11 Graph 4 shows the level of donors contributions and the ACC. Conceptually, the ACC may be considered as comprising the following elements:

- Loan repayments
- MDRI compensation
- Grants compensations
- ADF surplus
- ADB transfers
- Loan cancellations and
- ACC mark-up.

The ACC mark-up represents the incremental commitment capacity that is available under the Advance Commitment Authority. Before the implementation of the ACA, the ADF commitment capacity from internal resources was limited to the sum of the effective cash inflows and cancellations available during each replenishment period. The ACC mark-up therefore represents the advantage of using the ACA model for estimating the contribution from internal sources during each replenishment

Stress scenarios on future assistance capacity

3.12 Donors have committed to meet the ongoing costs to ADF over time from grants and debt relief under MDRI. MDRI compensation during ADF-10 will total UA 76.8m in nominal terms, and is expected to accumulate to a total of UA 6.1bn by ADF-26. The rest of this section will test the sensitivity of the Fund's financing capacity to the level of compensatory financing received or to be received from donors through the end of the ADF-26 period.

Impact of Lower Grant and MDRI Compensation

3.13 As indicated in Annex 3 compensation for forgone principal reflows due to grants and for MDRI debt relief constitute 35% of the Fund's future reflows based on the Fund's existing commitments and the pledge to maintain future donor contributions during future replenishments at the ADF-10 level in real terms. While donors as a group have pledged to compensate the Fund for foregone principal reflows due to grants and loans cancelled under MDRI on a dollar for dollar basis and on a pay as you go basis, the experience on MDRI contributions indicate that there could be significant delays by some donors in meeting their obligations. If actual compensation received or irrevocably pledged were to total only 80%[9] of the expected amounts, the level of ACC would decline in both nominal and real terms as indicated in item 2 of Table 2 below.

3.14 A similar scenario whereby only 55%[10] of the grant and MDRI compensation is received or irrevocably pledged would lead to a decline in the level of the ACC as indicated in item 3 of Table 2.

[9] The 20% shortfall corresponds approximately to the actual level of payments received for the MDRI 2006-2007 period (80%).

[10] The 45% shortfall corresponds approximately to the current level of MDRI unqualified commitments for the 10-year period beginning in 2008.

Table 2: Sensitivity of the Advanced Commitment Capacity (ACC) to changes in donors' compensatory commitments from ADF 11 to ADF 26 (Amounts in UA Million)

	Level of ACC in nominal terms			Level of ACC in real terms (i.e. 2005 prices)		
	ADF-11	Avg. ADF-11 to ADF-26	ADF-26	ADF-11	Avg. ADF-11 to ADF-26	ADF-26
1. Base case (100% MDRI & grant compensation for foregone principal reflows)	1,761	4,167	8,910	1,627	2,215	3,377
2. 80%[11] MDRI & grant compensation for foregone principal reflows	1,610	3,832	8,201	1,488	2,035	3,108
3. 55 % MDRI & grant compensation for foregone principal reflows	1,422	3,437	7,818	1,314	1,821	2,963

3.15 The two scenarios discussed above show that the average ACC level can vary by almost 18% (from UA 4,167 million to UA 3,437 million) depending on the degree of compensation for foregone principal due to grants and loans cancelled under MDRI.

Graduation scenario

3.16 The Fund's beneficiary countries can benefit from increased funding levels in future years under two different circumstances. The first circumstance is for the resource envelope available for allocation to grow either through new donor subscriptions or higher levels of internally generated resources. The second circumstance is for the number of beneficiary countries to reduce through graduation. In 1995, the Bank Group introduced a credit policy that restricted non concessional public sector lending to a small number of countries considered credit worthy of which 3 were blend countries that could borrow from both the Bank and the Fund. The remaining regional member countries of the Bank group could receive financing only from the Fund.

3.17 Since 1995 only two countries, namely Egypt a blend country and Equatorial Guinea have graduated from the ADF; the first because its GNP per capita increased beyond a predetermined threshold level and the second because of the recent discovery of substantial oil reserves.

3.18 The International Development Association (IDA) has demonstrated in a paper for IDA 15 Deputies on IDA's Long Term Financial Capacity that no countries currently receiving financial assistance from IDA is expected to graduate within the next two decades. As the Bank Group's credit policy is currently closely aligned to that of IDA, it is not expected that any ADF countries will graduate in the foreseeable future. One can therefore safely assume that the Fund's envelope of resources will continue to be allocated to the same number of countries during the next couple of decades.

4. CONCLUSION

4.1 Since its inception in 1973 ADF has mobilized UA 18.98 billion in development finance of which UA 15.48 billion equivalent to 81% was from donor subscriptions. In 1973 prices and using an historical SDR inflation of 2%, ADF has mobilized UA 12.56 billion in real terms since 1973. Future internally generated cash inflows based on past lending operations will range from UA 390 million during ADF 11 to a maximum of UA 1,203 million during ADF 18. These resources, which underpin the level of the ACC in

the medium term, assume among other things full compensation for debt relief initiatives.

4.2 Assuming as a base line scenario that ADF is fully compensated for MDRI and grants and that basic new donor contributions are maintained in real terms (assuming 2% annual inflation), a simulation of the future commitment capacity of the Fund with the Fund's Advance Commitment Authority (ACA) model shows that future commitment capacity will grow at a compounded annual growth rate of 2.71% in real terms.

4.3 Sensitivity analysis shows that a 20% shortfall in donor fulfillment of commitments to compensate ADF for MDRI and grants reflows would result in an average growth rate per replenishment of 2.41% through ADF-26, as compared to the 2.71% for the base case analyzed. For a 45% shortfall, the corresponding average growth rate per replenishment would be 2.27%.

ANNEXES

Annex 1: Evolution of ADF Resources since Inception (UA millions)

	ADF-Initial	ADF-1	ADF-2	ADF-3	ADF-4	ADF-5	ADF-6	ADF-7	ADF-8	ADF-9	ADF-10	Total	%
Internally Generated Ressources	-	6	54	120	136	45	245	614	492	645	1,200	3,557	19%
Donors Contribution	215	269	612	1,002	1,387	2,049	2,438	1,327	1,755	1,912	2,453	15,418	81%
												18,976	100%
Total Ressources in Real Terms	215	258	590	937	1,200	1,556	1,870	1,226	1,338	1,432	1,938	12,561	

Annex 2: Principal reflows of ADF based on prior replenishments and ADF-11 (nominal terms, UA millions)

UA m	ADF 10	ADF 11	ADF 12	ADF 13	ADF 14	ADF 15	ADF 16	ADF 17	ADF 18	ADF 19	ADF 20	ADF 21	ADF 22	ADF 23	ADF 24	ADF 25	ADF 26	Total (*)	%
Donors contribution	2,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
MDRI compensation	77	275	387	463	510	570	618	615	578	541	467	363	252	173	116	46	4	5,980	47%
Grant compensation on charges	2	32	36	16	3	-	-	-	-	-	-	-	-	-	-	-	-	87	1%
Grant compensation on principal	-	-	0	9	37	47	55	101	141	141	141	141	141	141	141	141	129	1,503	12%
ADF 9	-	-	0	9	15	15	23	46	46	46	46	46	46	46	46	46	34	509	
ADF 10	-	-	-	-	22	32	32	55	95	95	95	95	95	95	95	95	95	994	
Repayment existing loans	214	83	116	186	257	285	344	477	485	466	449	427	398	369	355	330	243	5,269	41%

Annex 3: Future assistance capacity with full additional compensation (real terms, UA millions)

UA million	ADF 10	ADF 11	ADF 12	ADF 13	ADF 14	ADF 15	ADF 16	ADF 17	ADF 18	ADF 19	ADF 20	ADF 21	ADF 22	ADF 23	ADF 24	ADF 25	ADF 25	Total (*)	%
Donors contribution	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	39,320	
MDRI compensation	74	254	337	380	394	415	424	398	352	311	253	185	121	79	50	19	2	3,974	14%
Grant compensation on charges	2	39	89	112	115	114	117	122	129	133	137	140	144	147	152	154	159	2,003	7%
Grant compensation on principal	-	-	0	7	29	52	80	129	187	244	298	349	399	450	500	551	595	3,869	14%
Surplus/Deficit	35	108	148	152	147	163	194	225	257	283	308	328	345	358	370	379	389	4,154	15%
Repayment existing loans	208	65	86	129	169	176	201	262	251	228	207	185	163	142	129	113	78	2,583	9%
Repayment new loans	-	-	-	-	38	94	146	225	362	494	619	739	856	974	1,092	1,208	1,322	8,169	29%
Loan saving and cancellations	295	277	261	246	232	219	206	194	183	172	162	153	144	136	128	121	114	2,948	11%
Transfert from ADB	80	28	26	25	23	22	21	19	18	17	16	15	14	14	13	12	11	295	1%
Total internal flows																		*27,995*	*100%*
ACC	1,177	1,627	1,533	1,445	1,361	1,616	1,773	2,085	2,079	2,358	2,356	2,559	2,581	2,854	2,855	2,982	3,377	35,442	
Internal ressources	619	477	521	552	610	674	767	926	1,072	1,194	1,312	1,420	1,522	1,623	1,731	1,833	1,915		
ACC mark-up	483	857	586	393	214	361	385	509	340	476	356	464	395	556	422	426	706		
Total repayments	208	65	86	129	208	270	347	487	613	722	826	924	1,018	1,116	1,221	1,321	1,401		
ACC+ Donors	3,634	4,084	3,990	3,902	3,819	4,074	4,231	4,542	4,537	4,816	4,814	5,017	5,039	5,312	5,312	5,440	5,835		

Annex 4: ACC flows with full additional compensation (nominal terms, UA millions)

	ADF 11	ADF 12	ADF 13	ADF 14	ADF 15	ADF 16	ADF 17	ADF 18	ADF 19	ADF 20	ADF 21	ADF 22	ADF 23	ADF 24	ADF 25	ADF 26
Advance Commitments	1,761	1,761	1,761	1,761	2,224	2,583	3,226	3,411	4,105	4,353	5,017	5,373	6,309	6,688	7,429	8,910
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Liquidity	1,462	1,290	929	589	424	466	544	666	754	864	968	1,075	1,183	1,354	1,489	1,770
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Repayments	70	98	158	269	371	506	755	1,007	1,258	1,527	1,812	2,120	2,465	2,862	3,286	3,697
Operational Income	*581*	*678*	*739*	*796*	*886*	*1,006*	*1,139*	*1,285*	*1,436*	*1,600*	*1,770*	*1,948*	*2,135*	*2,336*	*2,549*	*2,785*
Loan Savings and Cancellation	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*	*300*
ADB income transfer	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
MDRI compensation	275	387	463	510	570	618	615	578	541	467	363	252	173	116	46	4
Grants compensation	42	102	145	186	228	288	390	517	656	804	961	1,131	1,319	1,528	1,752	1,992
Total Cash Inflows	1,299	1,596	1,836	2,090	2,385	2,747	3,228	3,717	4,221	4,728	5,236	5,781	6,422	7,172	7,963	8,809
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements funded by ACA	1,006	1,450	1,621	1,650	1,681	1,946	2,317	2,766	3,167	3,593	4,002	4,441	4,907	5,567	6,076	6,834
Administrative Expense	464	507	554	605	662	723	790	863	943	1,031	1,126	1,231	1,345	1,470	1,606	1,755
Total Cash Outflows	1,470	1,957	2,176	2,256	2,343	2,669	3,107	3,629	4,111	4,624	5,129	5,672	6,251	7,037	7,682	8,589
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Flows	- 172	- 361	- 340	- 166	42	78	122	88	110	103	107	108	171	135	281	220
Ending Liquidity	1,290	929	589	424	466	544	666	754	864	968	1,075	1,183	1,354	1,489	1,770	1,990
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liquidity Ratio (%)	353	208	128	84	75	76	76	75	75	75	75	75	76	75	79	81

Annex 5: Future assistance capacity with no additional compensation (real terms, UA millions)

UA million	ADF 10	ADF 11	ADF 12	ADF 13	ADF 14	ADF 15	ADF 16	ADF 17	ADF 18	ADF 19	ADF 20	ADF 21	ADF 22	ADF 23	ADF 24	ADF 25	ADF XXVI	Total (*)	%
Donors contribution	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	39,320	
MDRI compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Grant compensation on charges	2	36	77	95	97	96	98	101	107	109	111	116	118	119	123	126	126	1,656	10%
Grant compensation on principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%
Surplus/Deficit	35	92	106	101	97	112	134	157	181	197	213	228	234	240	248	249	245	2,834	16%
Repayment existing loans	208	65	86	129	169	176	201	262	251	228	207	185	163	142	129	113	78	2,583	15%
Repayment new loans	-	-	-	-	37	84	127	198	316	424	527	627	722	815	914	1,008	1,096	6,895	40%
Loan saving and cancellations	295	277	261	246	232	219	206	194	183	172	162	153	144	136	128	121	114	2,948	17%
Transfert from ADB	80	28	26	25	23	22	21	19	18	17	16	15	14	14	13	12	11	295	2%
Total internal flows																		*17,212*	*100%*
ACC	1,177	931	878	827	779	892	980	1,359	1,281	1,281	1,695	1,597	1,574	1,856	1,914	1,855	1,848	21,548	
Internal ressources	619	462	479	501	559	613	688	831	950	1,038	1,125	1,208	1,278	1,347	1,431	1,502	1,545		
ACC mark-up	556	434	321	231	124	183	195	428	225	133	458	273	177	390	360	227	177		
Total repayments	208	65	86	129	206	260	327	460	567	652	734	812	885	957	1,043	1,121	1,174		
ACC+ Donors	3,634	3,389	3,335	3,285	3,237	3,349	3,438	3,817	3,738	3,738	4,152	4,054	4,031	4,314	4,372	4,313	4,305		