

*3rd Consultation Meeting
September 19 – 21, 2007
Bamako, Mali*



ADF FINANCING FRAMEWORK II Discount Rates, Grant Compensation and Replenishment Scenarios

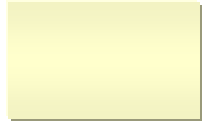
*Hassatou N'Sele
Principal Capital Markets Officer*

ADF-11 Replenishment

ADF-11 FINANCING FRAMEWORK II

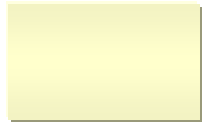
1

Discount Rates for Accelerated Encashment



2

Grant Financing Framework



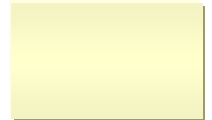
3

Core Financial Assumptions



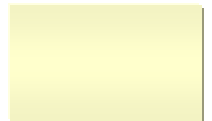
4

Replenishment Scenarios



5

Conclusion



Discount Rates for Accelerated Encashment

Eligible currencies	Adjusted CIRR
<i>Canadian dollar</i>	4.31%
<i>Danish Krone</i>	4.47%
<i>Euro</i>	4.28%
<i>Japanese Yen</i>	1.01%
<i>Korean Won</i>	5.13%
<i>Norwegian Krone</i>	5.09%
<i>Swedish Krona</i>	4.12%
<i>Swiss Franc</i>	2.83%
<i>UK Pound</i>	5.68%
<i>US dollar</i>	4.69%
SDR	4.30%

The SDR discount rate applied to currencies with no CIRR published

Encashment profiles can be customized to take account of the preferred encashment schedules of donors

ADF-11 FINANCING FRAMEWORK II

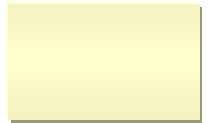
1

Discount Rates for Accelerated Encashment



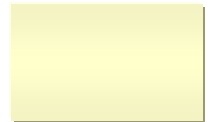
2

Grant Financing Framework



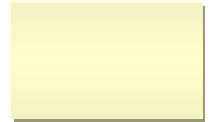
3

Core Financial Assumptions



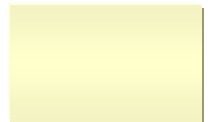
4

Replenishment Scenarios



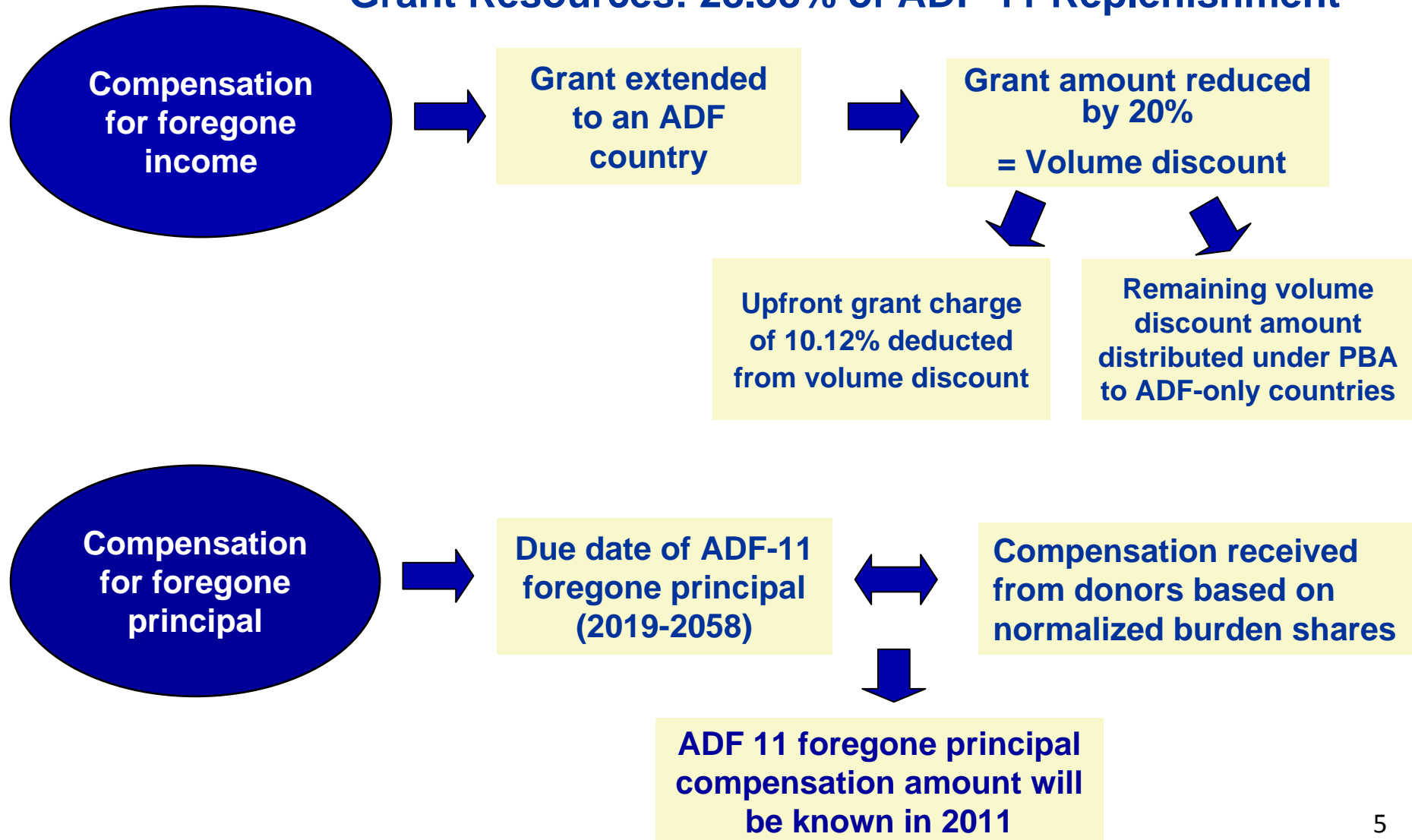
5

Conclusion



Grant Financing Framework:

Grant Resources: 28.38% of ADF-11 Replenishment



ADF-11 FINANCING FRAMEWORK II

1

Discount Rates for Accelerated Encashment



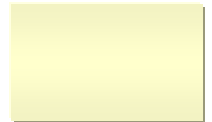
2

Grant Financing Framework



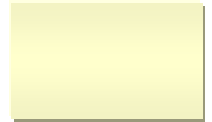
3

Core Financial Assumptions



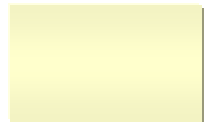
4

Replenishment Scenarios

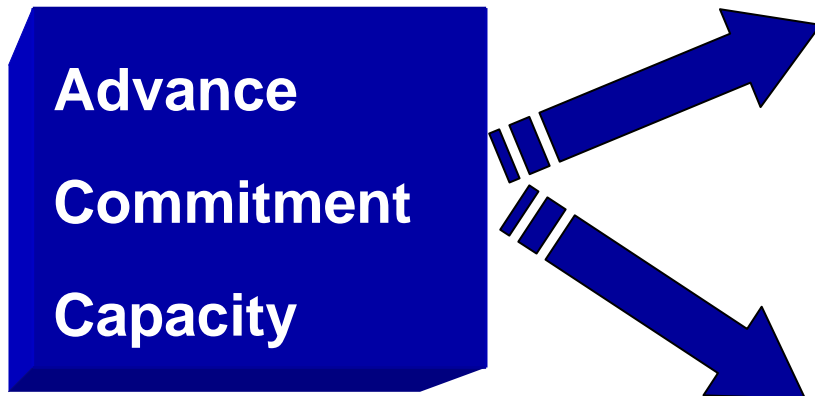


5

Conclusion



Updated Core Financial Assumptions for the ACC : Grants & ADB Transfers



Grant Resources

- Increased from the 28% to 28.38%
- Upfront charge on grants decreased from 11.9% to 10.12%

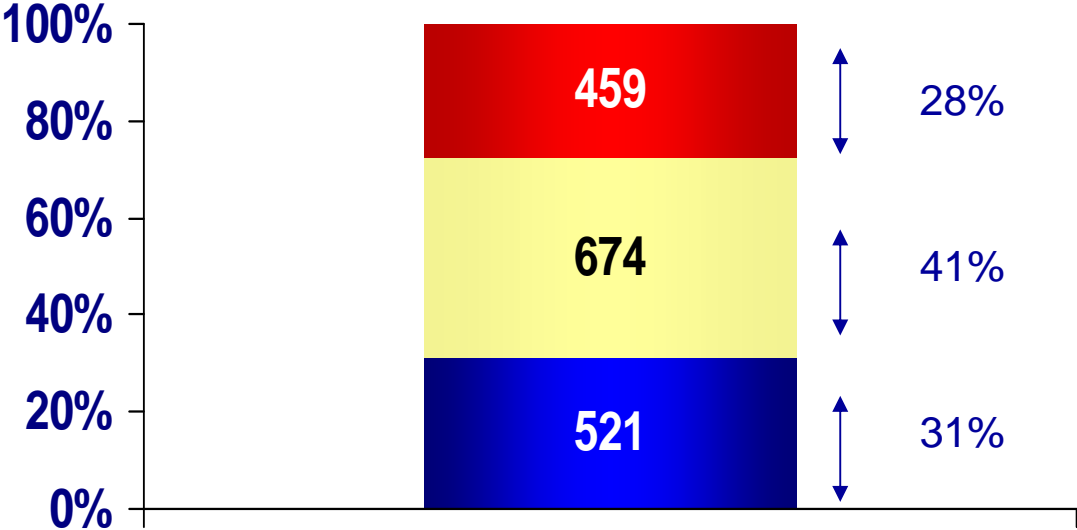
ADB Transfers

- Recommend to the Board the doubling of ADB transfers to UA 20 million per year
- Management to reassess annually the feasibility of transferring additional income to ADF

Core Financial Assumptions : MDRI Compensation

MDRI Compensation coverage for the ACC

- Unqualified commitments : included at 100%
- Qualified commitments : included at 85%
- Loan Reflows not covered by commitments: Excluded
- MDRI compensation coverage level will be updated in mid-November 2007



ADF-11 disbursement period (2008-2020)

- Loans not covered by commitments
- Qualified commitments
- Unqualified commitments

ADF-11 FINANCING FRAMEWORK II

1

Discount Rates for Accelerated Encashment



2

Grant Financing Framework



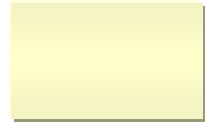
3

Core Financial Assumptions



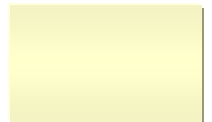
4

Replenishment Scenarios

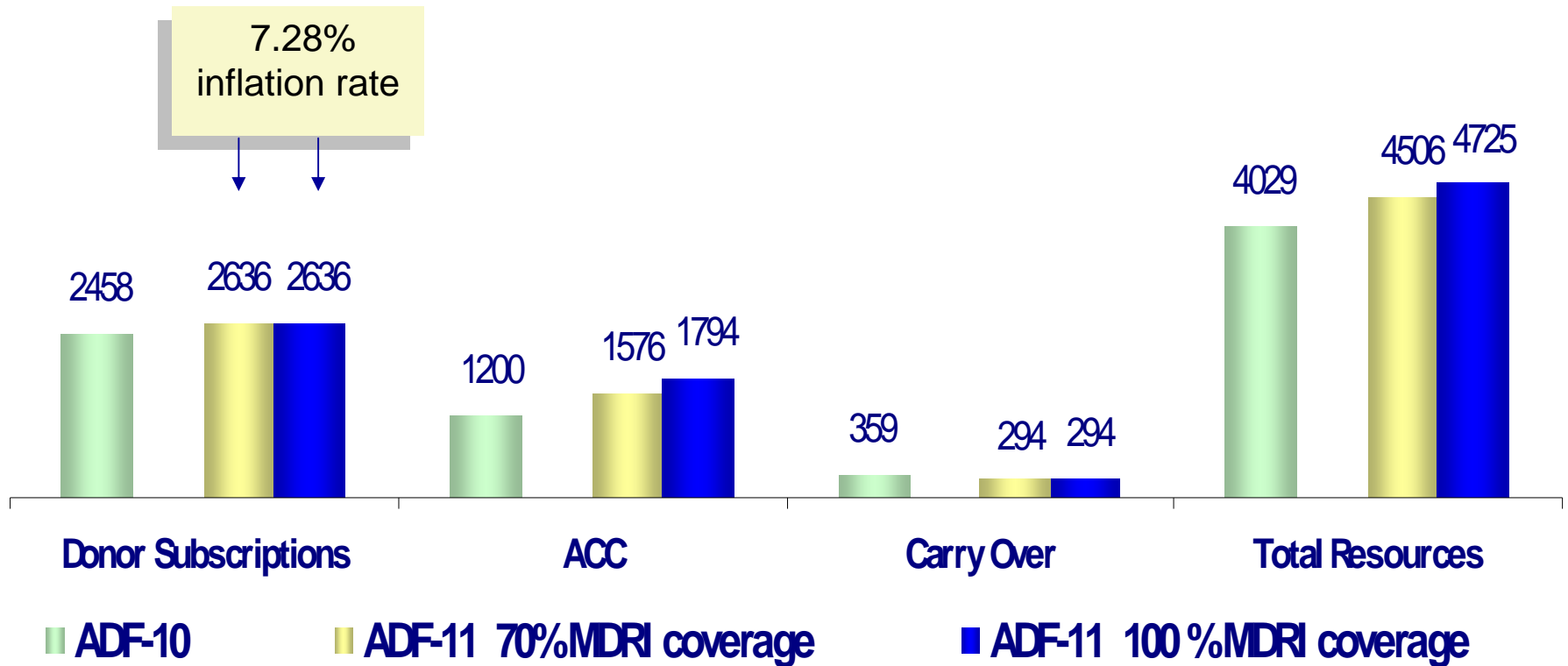


5

Conclusion

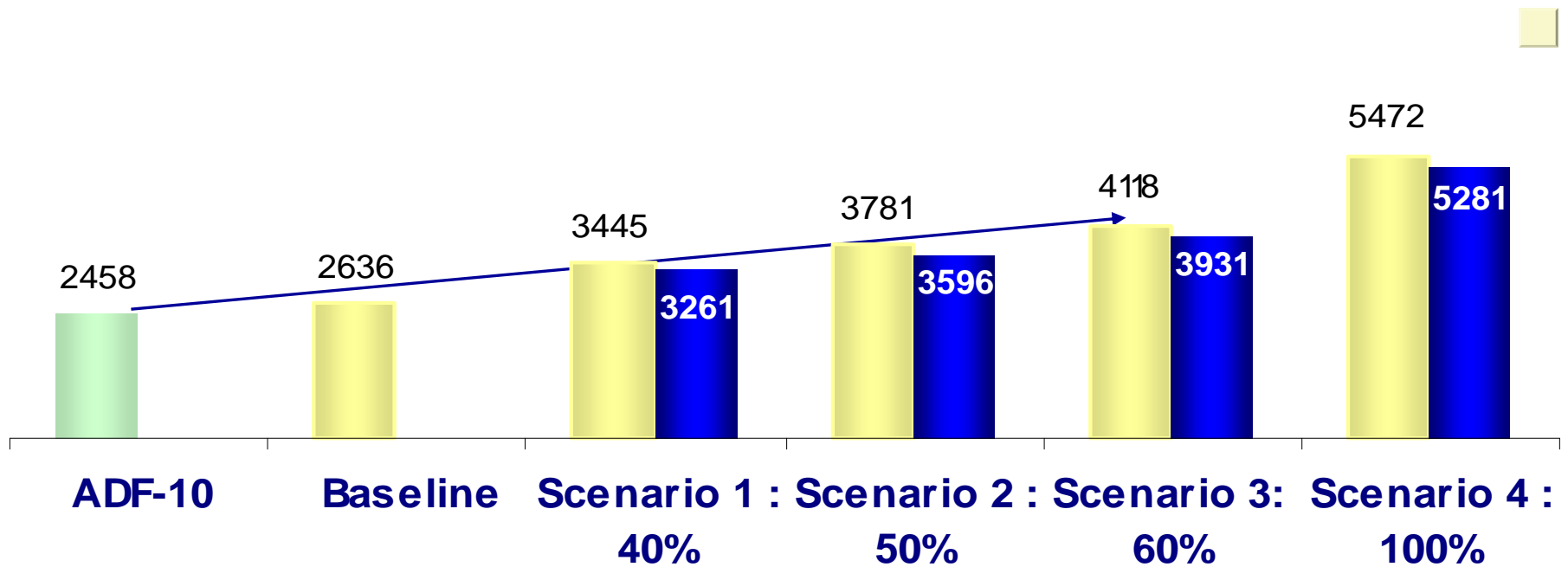


REPLENISHMENT SCENARIO: BASELINE SCENARIO



Increase in ADF-11 Total Resources over ADF-10		
	70% MDRI coverage	100% MDRI coverage
in Nominal terms	12%	17%
in Real terms	4%	9%

REPLENISHMENT SCENARIOS: DONOR SUBSCRIPTIONS



■ Subscriptions with 70% MDRI coverage

■ Subscriptions with 100% MDRI coverage

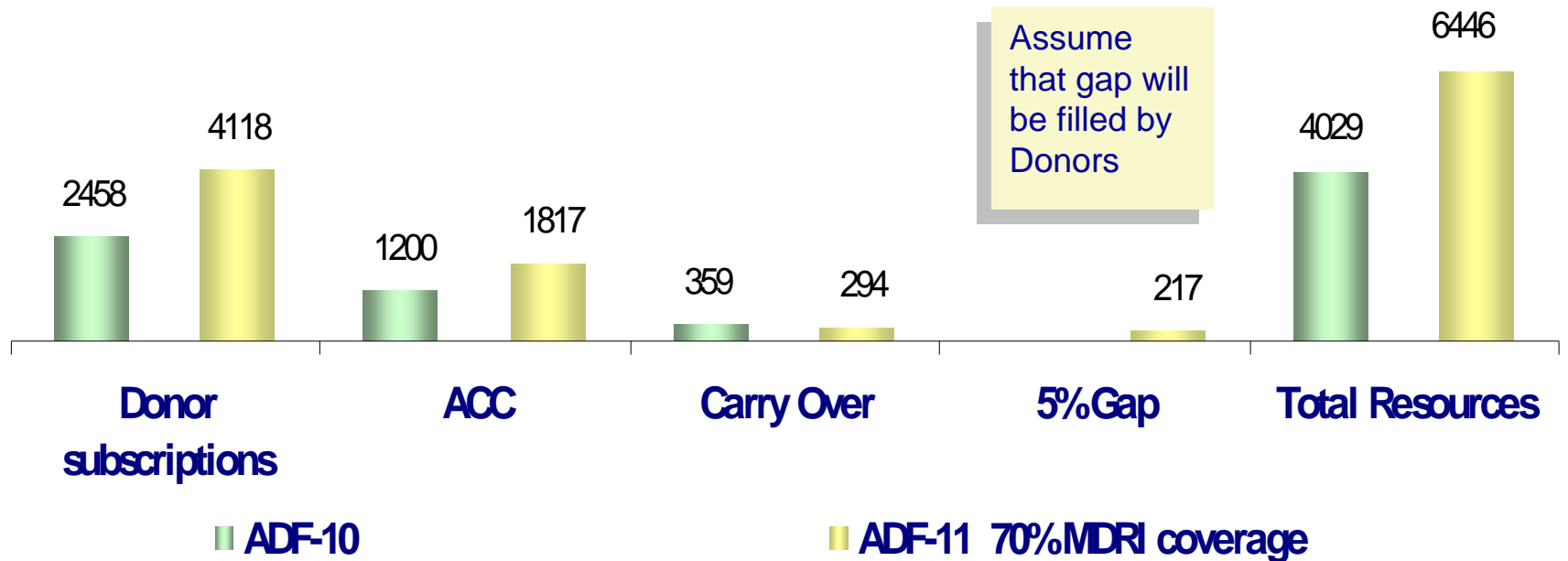
Impact of Scenario 3

The Fund can finance 90% of identified ADF-11 projects

Increase of UA 1.66 billion in donor subscriptions over ADF-10 or UA 553 million per year

Additional UA 14 million in donor funds allocated on average to each of the 40 ADF countries per year

SCENARIO 3 : Resources increased by 60% in nominal terms and 49% in real terms



Increase in ADF-11 Donor subscriptions over ADF-10	70% MDRI coverage
in Nominal terms	68%
in Real terms	56%

ADF-11 FINANCING FRAMEWORK II

1

Discount Rates for Accelerated Encashment



2

Grant Financing Framework



3

Core Financial Assumptions



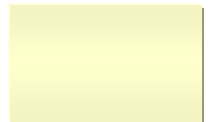
4

Replenishment Scenarios



5

Conclusion



CONCLUSION

**Deputies
are
requested
to approve:**

- The ADF-11 grant compensation framework with the foregone income due to grant levels covered by an upfront charge, currently estimated at 10.12%, while foregone principal reflows are offset using the “Pay as you go” approach.
- A replenishment level that would underpin the current pipeline of identified ADF-11 projects and support the scaling up of resources to Africa.
- A technical gap of 5%, based on the past 10 years trend where donors filled 1.4% to 3.5% of ADF gap.

Management urges donors to deposit unqualified instrument of commitments for the ADF-11 disbursement period (2008-2020) to ensure the highest possible replenishment level

*3rd Consultation Meeting
September 19 – 21, 2007
Bamako, Mali*



Thank You