ADF-13: Financing Framework and Long-Term Financial Capacity

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Vice President, FNVP

ADF-13
Tunis - 22 February 2013
ADF : Growing support for Africa’s neediest

ADF Donor Subscriptions

ADF Internally Generated Resources

ADF-8

ADF-9

ADF-10

ADF-11

ADF-12

ADF-13

Tunis – February 2013

ADF-13

African Development Fund
Self-adjusting mechanisms built into the ACA model minimize the risk of over-commitment.
Measures to improve financial performance

- Enhanced Liquidity Management – ACE Portfolio
- Mitigation of currency translation losses
- Continued stringent cost controls and budgetary discipline
- ...But more needs to be done
Strengthening financial capacity

AHIDI Index

- UNDP education and health component of HDI
- ADB’s Africa Infrastructure Development Index

Inclusiveness
In line with ADF priorities

Differentiated and hardened lending terms commensurate with economic situation and debt sustainability

In Billion UA

Current Terms

<table>
<thead>
<tr>
<th>ADF-13</th>
<th>ADF-16</th>
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</table>

AHIDI Differentiation

<table>
<thead>
<tr>
<th>ADF-13</th>
<th>ADF-16</th>
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</thead>
</table>

+36%
Management carefully reviewed and explored all alternatives to boost ACC in ADF-13

In Million UA

<table>
<thead>
<tr>
<th>Scenario</th>
<th>ACC Level</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low scenario</td>
<td>950</td>
<td></td>
</tr>
<tr>
<td>Accelerated Repayment</td>
<td>990</td>
<td>+40</td>
</tr>
<tr>
<td>Timely MDRI payments</td>
<td>1021</td>
<td>+71</td>
</tr>
<tr>
<td>Shorter 4 year encashment</td>
<td>1157</td>
<td>+207</td>
</tr>
<tr>
<td>Voluntary Prepayment</td>
<td>1198</td>
<td>+248</td>
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</tbody>
</table>

African Development Fund
Leveraging ADF Resources

Leveraging impact of new financing instruments

Increase capacity of ADB to fund projects in LIC

Protect commercial lenders against default by government

Strengthen the capital position of DFI and Improve their cost of funding

ADB provides volume of ADF PBA allocation to creditworthy countries

Boost PPP/private sector investments in small countries and LICs
• Low: subscriptions increase by the SDR inflation rate
• Consolidation: flat real growth in total ADF resources
• Transformation: 10% real growth in total ADF resources
What do we expect from Deputies today?

Decisions / Endorsement at this February meeting

<table>
<thead>
<tr>
<th>Item for Decision/Item for Endorsement</th>
<th>Management’s Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate reference period</td>
<td>February 1 to July 31 2013</td>
</tr>
<tr>
<td>Standard Encashment Calendar</td>
<td>10 Year as in ADF-12 or shorter calendar</td>
</tr>
<tr>
<td>Replenishment Technical Gap</td>
<td>5%</td>
</tr>
<tr>
<td>Advance Commitment Capacity</td>
<td>Core Assumptions</td>
</tr>
<tr>
<td>Accelerated Encashment</td>
<td>Fully Hedged Proposal</td>
</tr>
<tr>
<td>Differentiation</td>
<td>AHIDI plus Debt Sustainability Analysis</td>
</tr>
<tr>
<td></td>
<td>Regular : from 50/10 to 40/10</td>
</tr>
<tr>
<td></td>
<td>Advance : from 50/10 to 40/5</td>
</tr>
<tr>
<td></td>
<td>Blend : from 30/8 to 30/5</td>
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<tr>
<td>Additional measures to enhance financial sustainability</td>
<td>Accelerated repayment clause and voluntary repayment framework</td>
</tr>
</tbody>
</table>
What do we expect from Deputies today?

For guidance now and decision in the June meeting

- Innovative financing instruments
- Indicative financing framework
Enhancing ADF's financial integrity and capacity increases its relevance for Africa.