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ADF-13 Financing Framework and Capacity

Discussion Paper

ADF-13 Second Replenishment Meeting
June 2013
Tunis, Tunisia

AFRICAN DEVELOPMENT FUND

Executive Summary

During the first consultation meetings for the thirteen's replenishment of the Fund held in Tunis, Management presented Deputies with both the "ADF-13 financing framework" and the "Long-term financial capacity of ADF" papers. At the conclusion of the meetings, Deputies had agreed upon (i) the reference period to be used to determine the ADF-13 foreign exchange rates, (ii) the standard 10- year encashment calendar, (iii) the revised framework for accelerated encashment and (iv) the accelerated repayment clause and voluntary prepayment framework to enhance financial sustainability.

Deputies also indicated their comfort with a shortened standard encashment period of 4-years on a voluntary basis. They expressed a need to have a better understanding of the substantial impact of loan cancellations and interest rates on the Advance Commitment Capacity (ACC) estimated for ADF-13, as well as an assessment of the Fund's current liquidity policy. In addition, they requested more information on differentiation criteria for the new hardened lending terms, graduation scenarios and possible alignment with the International Development Association's (IDA) lending terms.

Against this backdrop, this document builds on the papers previously presented, and on the initial discussions and guidance received from deputies at the ADF-13 first replenishment meetings. Hence, the document focuses on the remaining issues and its objectives are the following:

- Present further details on the financial framework and specifically the dual standard encashment calendar for ADF-13, the revised accelerated encashment framework, and the grant financing for the upcoming replenishment;
- Provide a revised Advanced Commitment Capacity (ACC) estimate following a thorough assessment of the core assumptions of the ACC model and review of the Fund's liquidity policy;
- Provide further analysis of differentiated hardening lending terms and their financial impact; and
- Present the financing scenarios for ADF-13 replenishment for the consideration of Deputies.

Management also provides along with this core document, a technical note on the Advanced Commitment Capacity mechanism in Annex VII. Also linked to this document, a separate technical note on the ADF Liquidity Policy is provided in response to inquiries from Deputies on options to review the liquidity policy and improve the ACC.

During the first meeting of ADF-13 replenishment, the initial estimate of the advanced commitment capacity (ACC) presented by Management to Deputies was UA 950 million. Following the deputies' guidance, Management undertook an in-depth assessment of the assumptions underpinning the ACC model and a comprehensive review of the liquidity policy in order to optimize the ACC model without compromising the financial integrity of the Funds. The revised ACC estimate for ADF-13 stands at UA 1,032 million and represents an improvement of UA 82 million compared to the previous estimate of February 2013 mainly due to a change in assumptions in the ACC model for the liquidity framework[1]; less conservative assumptions for the Multilateral Debt Relief Initiative compensations expected to be received from donors and for repayments expected to be received from borrowing countries, expected additional net income transfers from the African Development Bank (AfDB) to cover part of ADF share for the relocation cost to the headquarter, and the impact of applying hardened lending terms. Nevertheless, the ACC is still lower than the UA 2,007 million for the Twelfth General Replenishment of the African Development Fund primarily due to lower interest rates and lower loan cancellations reflows.

The high level of previous advanced commitment capacity for the Eleventh General Replenishment of the African Development Fund and the Twelfth General Replenishment of the African Development Fund, and the increasing level of loans and grants disbursements have contributed to putting pressure on the Fund's liquidity position. The current lower estimated ACC is also the result of a self-adjusting mechanism built into the Advanced Commitment Authority scheme, which ensures that the Fund minimizes the risk of over-commitment. The low level of ACC for ADF-13 and the growing substantial needs of ADF countries imply that strong efforts will be required from both the Bank Group and donors to help the Fund sustain the pace of its development assistance to eligible regional member countries and fulfil its mandate at a crucial time for the continent.

[1] While liquidity from internal reflows was separated from liquidity from donors, the 2 sources of liquidity are now merged in the ACC model to enable a more efficient monitoring of the overall available liquidity.

To enhance the Fund commitment capacity, Management proposes to introduce a new framework for grouping the ADF-only countries into two groups based on their economic situation (ADF-only Regular and ADF-only Advanced), and to apply differentiated lending terms in line with the debt sustainability capability of each group. For regrouping the countries, it is recommended to combine the two criteria previously proposed; Gross national income per capita and the Africa Human and Infrastructure Development Index (AHIDI) in a revised AHIDI. Management believes that the revised AHIDI yields a better indicator of countries' level of economic development and their capacity to sustain debt. The hardening and differentiated lending terms still have a high level of concessionality, are consistent with what is proposed by IDA and will result in significant increase of the commitment capacity starting ADF-16.

Deputies are therefore invited to:

- Take note of the indicative level of ACC and level of replenishment resources for various scenarios.
- Endorse Management's proposals for the dual standard encashment schedules and the Accelerated encashment framework.
- Endorse Management's proposals for (i) differentiating criteria among groups of ADF-only countries; and (ii) new differentiated lending terms for ADF-only and Blend countries.

Table of Contents

Figures

Tables

Abbreviations

ACA	Advance Commitment Authority
ACC	Advance Commitment Capacity
ADF	African Development Fund
ADF-9	Ninth General Replenishment of the African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
ADF-13	Thirteenth General Replenishment of the African Development Fund
AfDB	African Development Bank
AsDF	Asian Development Fund
GNI	Gross national income
HTM	Held to Maturity liquidity or liquidity held at amortized cost
HTM-ACE	Held to Maturity liquidity for the Accelerated Encashment portfolio
IDA	International Development Association
IGRs	Internally Generated Resources
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
PBA	Performance Based Allocation
RMC	Regional Member Country
UA	Unit of Account

ADF-13 FINANCING FRAMEWORK AND CAPACITY

1. Introduction

1.1. During the first consultation meetings for the thirteen's replenishment of the Fund held in Tunis, Management presented Deputies with both the "ADF-13 financing framework" and the "Long-term financial capacity of ADF" papers. The documents described expected sources of financing for ADF-13 (subscriptions from donors and advanced commitment capacity), analyzed the financial variables and parameters that underpin the African Development Fund resources, presented measures to enhance the capacity of the Fund as well as a set of replenishment scenarios to meet the demand of its clients.

1.2. At the conclusion of the meetings, Deputies had agreed upon (i) the reference period to be used to determine ADF-13 foreign exchange rates, (ii) the standard 10- year encashment calendar, (iii) the revised framework for accelerated encashment and (iv) the introduction of accelerated repayment clause and voluntary prepayment framework to enhance financial sustainability.

1.3. To further enhance the capacity of the Fund, some Deputies indicated their comfort with a dual standard encashment schedule whereby donors who were in a position to do so would encash their subscriptions over a shortened standard period of 4-years, on a voluntary basis. Deputies also express their need to have a better understanding of the substantial impact of loan cancellations and interest rates on the Advance Commitment Capacity (ACC) estimated for ADF-13, and requested as well an assessment of the Fund's current liquidity policy.

1.4. With regards to the enhancement of the Fund's long term capacity, specifically the hardening of loan terms, while deputies favored hardening ADF's standard lending terms to reduce maturities from 50 to 40 years, some donors demanded more information on differentiation criteria, graduation scenarios and possible alignment with IDA's terms.

1.5. This document builds on the papers presented in Tunis for the first replenishment of ADF-13 in February, and subsequent discussions held with Deputies. It presents the dual standard encashment calendar for ADF-13, further details on the revised accelerated encashment framework, and submits the grant financing for the upcoming replenishment, specifically the financing of foregone income and principal resulting from the extension of grants. The paper also revisits the ACC as per Deputies' request, and updates some of its core assumptions, while assessing the Fund's liquidity policy. Further analysis of differentiated lending terms and their financial impact are examined. Finally, the financing scenarios are submitted for the consideration of Deputies.

2. Resources of ADF-13

Subscriptions from Donors

2.1. Donor countries usually make their payments in promissory notes, which are subsequently converted into cash over time (encashed), in line with a standard encashment schedule which ensures that the Fund holds enough resources to meet disbursement requests from beneficiaries at all times. This section builds on the proposals for both standard encashment and accelerated encashment made during the first consultation meeting, updating and elaborating on the possibilities available to donors for their subscriptions to ADF-13.

Dual standard encashment schedules

2.2. The Financing Framework paper submitted in February 2013, presented the 10-year standard encashment schedule, and proposed a 4-year standard encashment schedule to increase the Advance Commitment Capacity of the Fund by UA 207 million, as shown on table 1.

Table 1: ADF-13 Dual standard encashment schedule

Standard Encashment schedule		
Year	**10-year Standard**	**4-year Standard**
2014	5.03%	25.00%
2015	10.34%	25.00%
2016	14.76%	25.00%
2017	15.07%	25.00%
2018	12.98%	-
2019	11.17%	-
2020	10.14%	-
2021	9.13%	-
2022	8.33%	-
2023	3.04%	-

2.3. Taking into consideration (i) the necessity to maximize the Fund's capacity, (ii) the constraints that some donors may have in encashing their subscriptions over a shortened period, and (iii) the need for other donors to use the accelerated encashment framework to meet their ADF commitments, Management proposes the use of a dual standard encashment schedule. Specifically, donors that have the possibility to do so could agree to encash their subscription according to the "4-year" standard, or any other calendar shorter than the standard 10-year. The added resources so provided would immediately increase the commitment capacity of the Fund for ADF-13 and subsequent replenishments.

Accelerated encashment framework

2.4. The accelerated encashment framework allows the Fund to accrue investment income for the benefit of donors by encashing their subscriptions in earlier dates, fewer installments or in different proportions than those specified in the standard encashment calendar. For ADF-13, Deputies have agreed to a hedged framework that ensures the Fund protects its development resources from interest rate risk related losses[2]. The outcome of the accelerated encashment framework is to make the ADF financially indifferent between receiving a given set of payments over the 10-year standard encashment schedule, and receiving the equivalent amount (in present value terms) over a shorter period.

2.5. The main features of the revised accelerated encashment framework, endorsed by Deputies in February 2013 in Tunis, are summarized in table 2.

[2] "ADF-13 Financing Framework", 1st ADF-13 Replenishment Meeting, February 2013, Tunis

Table 2: Accelerated encashment framework

Revised Accelerated Encashment Framework Details	
Eligible Currencies:	▪ USD, EUR, JPY, GBP and CAD
Reference Discount Rates:	▪ Currency specific Overnight Index Swap (OIS) rates
Timing of Discount Rate Setting:	▪ Case by case basis, rate set when the donor irrevocably commits to a specific, pre-agreed accelerated encashment schedule
Irrevocability:	▪ Election of the accelerated payment scheme will be irrevocable as of the date that the Fund and relevant donor agree on the accelerated encashment schedule ▪ All costs arising from payment delays will be borne by the Donor, including the cost of ADF unwinding its hedge
Process:	▪ Management and the donor country agree on a date for determining the applicable ADF-13 discount rate (fixing date). ▪ Fixing date cannot be more than 30 calendar days before the receipt of the donor's first accelerated encashment amount. ▪ The Fund will execute the hedge in the market on the fixing date and communicate to the donor the final irrevocable discount rate obtained on the hedge

2.6. From a donor's perspective, the key benefits of accelerated encashment are the possibility of using the income generated by accelerated encashment to (i) increase its subscription and burden share in a given replenishment, (ii) pay a discounted amount on its subscription while maintaining its burden share, (iii) offer to reduce the replenishment's technical gap and (iv) pay for other ADF commitments (Grant or Multilateral Debt Relief Initiative (MDRI) compensation).

2.7. Regarding the use of proceeds from accelerated encashment to meet past ADF commitments, and in line with what other soft loan institutions have started implementing, Management proposes that such income could be used by donors to meet their past due payments on past and future replenishments.

2.8. Sample ADF-13 accelerated encashment discounts and credits for periods ranging from 1 to 3 years are provided on table 3 for illustrative purposes only[3]. Accelerated encashment discounts are applicable to meet or increase burden shares, and to cover ADF commitments (grant and MDRI compensation, past due payments), while accelerated encashment credit will be used to reduce the technical gap of the replenishment.

Table 3: Indicative ADF-13 Accelerated Encashment Discounts & Credits

	Accelerated Encashment Period					
Currency	1 Year		2 Year		3 Year	
	Discount	Credit	Discount	Credit	Discount	Credit
EUR	2.67%	2.74%	2.62%	2.69%	2.54%	2.61%
JPY	1.13%	1.15%	1.10%	1.11%	1.05%	1.06%
GBP	3.51%	3.64%	3.36%	3.47%	3.19%	3.29%
USD	3.65%	3.78%	3.58%	3.71%	3.47%	3.60%
CAD	5.75%	6.10%	5.28%	5.58%	4.78%	5.01%

2.9. The details of the computations for the discount and credit generated by accelerated encashment are provided in Annex I and II, together with indicative figures for longer accelerated encashment periods.

[3] Applicable rates can only be computed when the Fund and donor agree on a specified encashment schedule and the Fund executes the hedge using market rates.

ADF-13 Grant Financing

2.10. ADF has been financing operations to its Regional Member Countries (RMCs) in the form of grants since its establishment in 1974. In ADF-7 and ADF-8, grants were used to finance technical assistance activities, and their level was set at 7.5 percent of the total replenishment amount. For the Ninth General Replenishment of the African Development Fund (ADF-9), Deputies agreed to increase the concessionality of ADF resources in light of the economic difficulties faced by most beneficiaries. As a result, ADF-9 was envisaged to target an overall grant share level in the range of 18 to 21 percent, with grants used to finance identified operational priority areas such as HIV/AIDS intervention, post-conflict reconstruction, natural disaster assistance, agriculture, education, and health. Grant financing as a portion of the Fund's approvals has been increasing over the years, as presented in Annex III.

2.11. Since the Tenth General Replenishment of the African Development Fund (ADF-10), the International Monetary Fund / World Bank Debt Sustainability Framework (DSF) and Debt Sustainability Analysis (DSA) for low-income countries guides the determination of the proportion of ADF resources to extend as grants. More specifically, the DSF determines each country's risk of debt distress and its financing terms with regard to the Performance Based Allocations (PBA) and the Regional Operations envelope[4], particularly its eligibility for grants. The DSF methodology is based on (i) countries' institutional strength and the quality of their policies with regard to debt distress; and (ii) country-specific debt burden indicators, such as the NPV of debt/gross domestic product ratio, the NPV of debt/exports ratio, and the debt service/exports ratio. Based on this analysis, countries are classified as recipients of loans only, recipients of grants only, or recipients of a 50/50 combination of loans/grants.

2.12. For the past four replenishments, the Fund has been using the Modified Volume Approach and a volume discount on grants to address the costs related to increased grant financing, and to protect the Fund's financial integrity. Under this two-pronged compensation scheme, income foregone because of grant extensions is offset by an upfront charge on grants, while foregone loan principal reflows above 7.5 percent are compensated by donors. As a result, increases in grant financing have a neutral effect on the Fund's future commitment capacity. Management proposes that donors adopt for ADF-13, the same grant compensation framework as for previous replenishments.

Expected Level of ADF-13 Grants

2.13. The Fund uses each year the outcome of the DSA to determine an indicative proportion of grants for the year. The level of grant financing for the full Twelfth General Replenishment of the African Development Fund (ADF-12) cycle is estimated at 33.45 percent, greater than the 30.65 percent that had been assumed for the previous replenishment based on the 2010 DSA. For ADF-13, the indicative proportion of grants is assumed to be at the same level as the full ADF-12 cycle, i.e., 33.45 percent. Determining the level of grant financing based on the full cycle provides a better estimation of the proportion of grants than considering only the last year of the cycle, as the use of the PBA, Regional Operations and Fragile States Facility envelopes is not linearly spread across the three years of the replenishment. The actual amount of grants allocated under ADF-13 will depend on annual DSAs, and on the outcome of the discussions concerning the potential alignment of the financing terms of Pillar I of the Fragile States Facility – currently fully disbursed as grants – with those of the PBA and Regional Operations envelopes (loans and/or grant mix depending on the DSA analysis).

Grant compensation: Foregone income

2.14. In accordance with the Modified Volume Approach, the grant allocation of a country is reduced by 20 percent, the modified volume discount[5]. Part of the volume discount is used to compensate the Fund for foregone income through an upfront grant charge (also called the grant surcharge). The remaining amount is allocated to ADF-only countries using the Performance-Based Allocation system. Management proposes that grant resources allocated and disbursed from the Fragile States Facility continue to be exempt from the application of the

[4] FSF is 100% Grants.

[5] The volume discount on grants is divided in two components: (i) an incentives-related portion to help preserve the strength of the incentives of the Fund's Performance-Based Allocation system, and (ii) a charges-related portion to offset foregone charges on ADF grants. Fragile states are only subject to the charges-related volume discount.

modified volume discount.

2.15. The upfront grant charge estimated for ADF-13 was computed based on the assumption that the overall grant level for the three years of the replenishment will be equal to the level estimated for the full ADF-12 cycle, i.e., 33.45 percent. A 10-year SDR discount rate of 1.36 percent[6] built from OIS rates served as the base for the computations. Table 4 presents the upfront grant charge which will be applicable for this replenishment.

Table 4: Upfront Grant Charge to Compensate Foregone Income

Grant Level	SDR Discount Rate	Upfront Grant Charge
33.45%	1.36%	15.00%

2.16. The level of the upfront grant charge has been determined through an iterative process that equates the present value of the upfront grant charges levied at disbursement, with the present value of the foregone income flows. This charge will be deducted from each grant allocation[7], with the remaining amount, 5 percent, being allocated to ADF-only countries under the PBA system. As mentioned on paragraph 2.14, FSF grant allocations and disbursements will not be subject to the application of the modified volume discount.

Grant compensation: Foregone principal repayments

2.17. In order to mitigate the reduction of future reflows resulting from increased grant financing, donors have agreed since ADF-9 to compensate the Fund for foregone reflows above 7.5 percent of the replenishment amount, as the reflows arise, using the "pay-as-you-go" approach. Each donor's contribution to grant compensation is based on its normalized burden share for the corresponding replenishment.

2.18. Annex IV provides updated donors grant compensation schedules for ADF-9 through to ADF-12 while Annex V shows the consolidated grant schedules across replenishments by donors. The total grant amount expected to be compensated for during ADF-13 is UA 13.09 million.

Internally Generated Resources (IGRs)

2.19. To fulfill its mandate, ADF relies on two main sources of funds: (i) subscriptions from donors that normally occurs every three years and (ii) IGRs. This section will focus on the IGRs.

Advanced Commitment Capacity (ACC) estimates for ADF-13

2.20. The Advance Commitment Authority (ACA) is the scheme used to determine the ACC. The ACA is long-term in nature, fixed for each replenishment period and based on a set of deliberately conservative assumptions and safety margins built into the model to support future disbursements and mitigate the risk of over-commitment. The ACA model is recalibrated at the beginning of each replenishment period (every three years) to account for differences between estimated and actual cash flows and to determine the ACC for the next replenishment. This recalibration prevents the risk of over-commitment and preserves the integrity of previously committed ACC amounts.

Core assumptions of the ACA model

2.21. During the first meeting of ADF-13 replenishment held in February 2013 in Tunis, the initial estimate of the ACC presented by Management stood at UA 950 million. Deputies discussed in detail the assumptions underpinning the computation of the Advanced Commitment Capacity (ACC) and requested further exploration for options to improve the ACC, particularly with regards to possible adjustments to the Fund's current liquidity policy.

2.22. In that perspective, Management undertook an in-depth assessment of the assumptions underlying the ACC model and a comprehensive review of the liquidity policy to determine whether there is room for improvement. In response to this request, a separate technical note is provided on the Fund's liquidity policy and detailed information on the ACC mechanism is also

[6] Calculated as the weighted average of each SDR component currency 10-year OIS swap rate as of 30 April 2013.
[7] The upfront grant charge will be subtracted from the 20 percent volume discount and applied to the Fund's liquidity.

provided in Annex VII of the document.

2.23. Table 5 below provides the key changes in the assumptions to the ACA model between the estimate of February 2013 and the revised estimate.

Table 5: Changes of core assumptions for the ACA model between February and June 2013

Assumptions	Comments	February Meeting	June Meeting	Impact (UA millions)
Liquidity framework of the ACA scheme	When the ACA scheme was conceptualized in 2005 during ADF-10, the liquidity generated from Donors' encashment was separated from the internally generated liquidity from reflows (Loans repayments, Net income, ADB Transfers...). In order to improve the management of cash flows in the model, the merging of both liquidities is proposed.	ACA liquidity **separated** from Donor's liquidity	ACA liquidity **merged** with Donor's liquidity	n.a.
Estimated ACC before changes in assumptions	Level of the ACC resulting from the model after changes in the liquidity framework assumption but before other proposed changes in assumptions (in UA millions)	**950**	**998**	48
Undisbursed commitments & Approvals	Adjustments to the level of undisbursed commitments following the finalisation of financial statements and update on expected approvals for 2013.	-	-	(34.9)
Disbursement Sensitivity Factor	The disbursement sensitivity factor represents the share of commitments expected to be disbursed each year. The non-disbursed portion is adjusted based on the percentage of grants (grant upfront charges not disbursed) and loan cancellations.	92.8%	93.6%	(57.3)
MDRI compensation expected to be received	In addition to their regular contributions, Donors are expected to make additional contributions to cover 100% of MDRI costs (on foregone principal and interests) for heavily indebted poor countries on a pay-as-you-go basis. Based on historically observed MDRI recovery rate, assumptions are made for future replenishments.	93% (incl. lag of 3%)	98.3% (incl. lag of 7.2%)	65.2
Allocation from ADB to cover part of relocation costs to the headquarter	During the 2012 ADB Net Income Allocation discussions, the Board of Directors agreed that the 2003 cost sharing principle applied when the Bank relocated from Abidjan to Tunis will be applied for return to the headquarters, subject to the financial sustainability of the Bank. The model takes into account the coverage by ADB of 50% of the share of ADF relocation costs over a 3 year period from 2014 to 2016.	-	Coverage of 50% of ADF share for relocation costs	28.4
Hardened lending terms	During the first ADF-13 meeting, Management proposed to harden lending terms (see Table 7). The ACC is estimated assuming that the hardened terms will be approved and applied starting from ADF-13.	Current lending terms	Hardened lending terms	5.5
Repayment Sensitivity Factor	To account for delayed repayments by countries in arrears to the Fund, only a certain percentage of loan repayments flows is expected to be received on an annual basis.	90%	95%	29.3
Expected share of grants	Impact of the adjustment in the expected share of grants.	Share of grants was expected to be 34.5%	Share of Grants is revised to 33.45%	(1.7)
Estimated ACC after changes in assumptions	Level of ACC after changes in assumptions (in UA millions)	950	**1 032**	82

2.24. The major changes in assumptions since the ACC estimate of February 2013 are the followings:

Liquidity framework of the ACA scheme

2.25. A change was introduced in the liquidity framework which assumed, when the ACA scheme was conceptualized in 2005, a separation[8] between Donor's liquidity resulting from the encashment of notes and liquidity internally generated resulting primarily from loans reflows. In order to facilitate the monitoring of this liquidity in the ACA framework, Management proposes to merge these 2 sources of liquidity. Similarly, the assumption for disbursements in the model was also modified in order to stop differentiating disbursements funded by donor resources and disbursements funded by the ACC liquidity. Finally, another key assumption was adjusted in the model: a portion of the liquidity held at amortized cost (HTM Liquidity[9]) is now excluded from the ACC liquidity available for disbursements. The reason for this approach is that the HTM liquidity is held to generate additional investment income and is not expected to be disbursed. Additional information regarding this assumption is provided on the technical note on the Fund's liquidity policy.

Repayment Sensitivity factor

2.26. The repayment sensitivity factor represents the share of loans principal repayment that is expected to be effectively received each year. Based on the current share of non-accrual loans in the total disbursed and outstanding loan portfolio and the practices of other Multilateral Development Banks (MDBs), the repayment sensitivity factor was improved from 90% to 95%.

MDRI compensation expected to be received

2.27. MDRI compensation relates to the share of forgone income from loans charges and principal repayment that the Fund expects to actually receive from Donors under the MDRI initiative. For the revised ACC, based on the latest trend derived from historical observations, it is assumed that 91.09% of cash flows expected each year will be received on time while 7.23% will be received with a delay of 1 year. It is assumed that the remaining 1.68% will not be received.

ADB Net income transfer to cover part of ADF share for relocation expenses

2.28. During the ADB Board discussions on the allocation of the 2012 net income, the Board of Directors agreed that the cost sharing principle applied in 2003 when the Bank relocated from Abidjan to Tunis will be applied for the relocation to the headquarters, subject to the Bank's financial sustainability. In line with the agreed principle, the ADF-13 ACC assumptions were reviewed to include the coverage by the Bank of 50% of ADF share for relocation expenses over a period of 3 years from 2014 to 2016.

Revised ACC estimates for ADF-13

2.29. Based on the changes in the core assumptions of the model summarized in Table 5, the new estimate of the ACC for ADF-13 replenishment is UA 1,032 million, and represents an improvement of UA 82 million compared to the previous estimate of February 2013.

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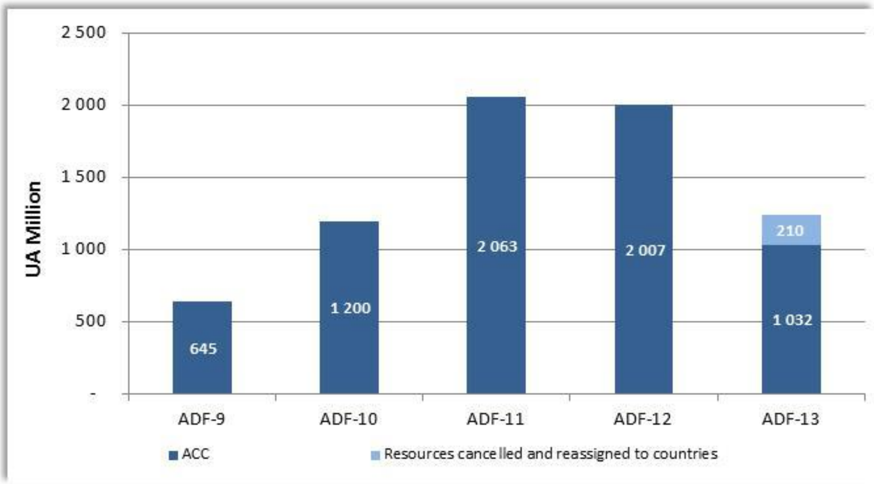
8 The separation of the two sources of liquidity at the inception of the ACC model was for a better tracking of loans and grant commitments from internally generated resources to ensure that the Fund can comfortably meet all disbursement requests related to these commitments (See document ADF/BD/WP/2005/18)

9 As the liquidity held at amortized cost is expected to be held until the maturity of securities, "Liquidity held at amortized cost" and "Liquidity Held to Maturity –HTM Liquidity" designate the same portfolio.

Figure 1: Evolution of the Advanced Commitment Capacity (UA million)



2.30. Despite the adjustments made, the ACC for ADF-13 is still significantly lower than the level of UA 2,007 million achieved for ADF-12. The two main reasons of the decrease of the ACC are:

i) The lower expected returns on investment. For ADF-12, based on prevailing forward rates, an average investment return of 4.5% was assumed compared to 2.65% for ADF-13.

ii) The lower level of loan cancellations, as the ADF-13 ACC assumes annual loan cancellations of only UA 30 million compared to UA 100 million for ADF-12, following the implementation of the revised loan cancellation policy which reassigns 70% of cancelled loan to beneficiary countries while 30% is reallocated to the general pool of liquidity. Therefore, in addition to the ACC of UA 1,032 million, approximately UA 210 million will be retained by the ADF countries whose operations have been cancelled and represent resources that countries can re-commit for on-going operations or new activities during ADF-13, as presented in Figure 1. Annex VII provides additional information on the impact of loan cancellations on the ACC.

Assessment of the Fund's liquidity policy

2.31. The Fund is required to maintain a reasonable level of liquidity to build an adequate buffer between (i) cash inflows from encashments of donor subscriptions and loan repayments and (ii) cash outflows for disbursements and operational requirements. This liquidity buffer should enable the Fund to meet its financial obligations to borrowers, even in the event of a sudden and unpredictable surge in disbursements, without having to request supplementary encashments to donors. The Fund should also be in a position to meet all its obligations even in the event of a temporary delay of encashments from Donors.

2.32. As recommended by Deputies, during the review of the ACC for ADF-13, a thorough assessment of the Fund's current liquidity policy was performed to identify areas of improvement. A separate technical note provide the details of this analysis which results are summarized below:

i) The Fund's liquidity policy as specified in the ADF General Authority approved by the Board in 2011 and as detailed in the ADF Asset and Liability Management (ALM) guidelines remains adequate and should be maintained.

ii) The Fund's principal liquidity risk management objective should remain to hold sufficient resources to enable it to meet its normal and predictable obligations without having to resort to requests to State Participants for supplementary encashments or additional resources. To achieve this objective, the Fund shall continue to maintain liquidity target levels linked to the level of net disbursements and aimed at ensuring that operational requirements will always be met:

a. The range for the prudential minimum level of liquidity (PML) should continue to be maintained between 50% and 75% of the three-year moving average of net disbursements;

b. The minimum of this range should continue to be used to monitor short term compliance with the liquidity policy. Financial projections indicate that the Fund should be able to comply with this policy over the next 10 years and stress tests indicate that the Fund's PML threshold level is adequate.

iii) The Fund should maintain its current approach for tranching the liquidity with a HTM, a Held to Maturity liquidity for the Accelerated Encashment portfolio (HTM-ACE)[10], and a Trading portfolio. The investment strategy implemented for these portfolios should remain unchanged, as specified in the ALM guidelines.

iv) The maximum of the PML range (75%) should be used to continue to monitor the ACA model given the long term nature of projections for this model (50 years) and the need to set adequate safety margins to avoid risks of over commitment. The ACC model should assume that an adequate level of HTM liquidity will not be disbursed in the long term in order to build a safety buffer that will remain available for stress events. Financial projections also indicate that on the basis of an ACC of UA 1,032 million for ADF-13, the size of the HTM investment portfolio will have to reduce gradually from its current level of UA 1,100 million to approximately UA 300 million by 2023. This reduction of the size of the HTM portfolio will impact negatively the Fund's capacity to break-even.

2.33. In summary, given the current liquidity constraints, and the level of ACC already committed during previous replenishments, relaxing the ADF liquidity policy will not increase the ACC.

3. Enhancing Financial Capacity of ADF

3.1. The limited level of the ACC and the continuing substantial needs of ADF countries imply that strong efforts will be required from the Bank Group and from donors to help the Fund sustain the pace of its development assistance to eligible RMCs. Management proposes several options to increase the Fund's financing capacity and to ensure that the available resources are allocated on appropriate terms: (i) differentiated financial terms among groups of ADF-only countries, and (ii) transition framework for ensuring a smooth graduation.

Differentiation of lending terms

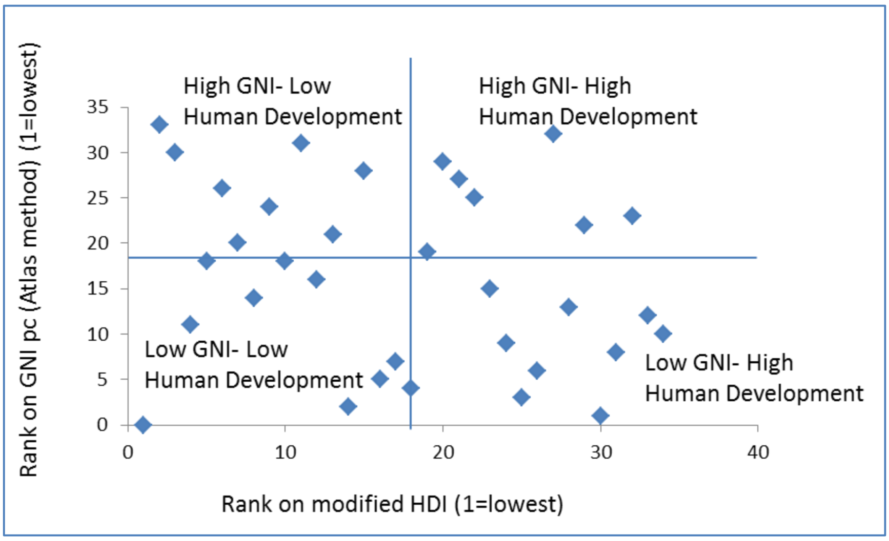
3.2. During the ADF-12 Mid-term Review and the first ADF-13 replenishment meeting, Deputies broadly supported Management's proposal to divide the ADF-only recipients into two groups, and to apply hardened financial terms consistent with the Debt Sustainability Framework to countries that have more capacity to shoulder them. Ensuring, recipients would have access to resources in better line with their ability to pay; this differentiation would contribute to strengthening the Fund's medium and long-term financial sustainability as well as its capacity to provide a meaningful support to ADF countries. In this regard, during the first replenishment meeting, two criteria that could be used as a basis to distinguish both groups were presented: (i) Gross national income (GNI) per capita and (ii) the Africa Human and Infrastructure Development Index (AHIDI), which was a composite of the non-income (health and education) elements of the UNDP's Human Development Index and the ADB's Africa Infrastructure Development Index.

3.3. Between these two options Management favored the option of the Africa Human and Infrastructure Development Index (AHIDI) while some Deputies expressed a preference for GNI per capita. While acknowledging the usefulness of GNI per capita as a measure of a country's financial strength and its ability to bear harder lending terms, Management retains a preference for a broader indicator of economic capacity to distinguish the two groups of countries for several reasons. First, in line with current international discussions on development that grant importance to comprehensive concepts like inclusive growth and green growth, favoring such a criteria would better take into account non-monetary dimensions of welfare and well-being in our definition of operations. In addition, measuring economic and social progress by GNI alone could be misleading in the African context, where the correlation between level of GNI per capita and broader social and economic development is weak (see Figure 2). Finally, the recent economic and financial crisis has demonstrated that GNI by itself is not a fully reliable indicator

[10] The HTM-ACE portfolio is the portfolio held at amortized cost for accelerated encashments.

of a country's capacity to sustain debt.

Figure 2: GNI pc vs. Score on Health and Education Indicators in 2011 (Ranking)



3.4. Taking all these elements into account Management recommends to combine the two previous options and to include GNI per capita in a revised AHIDI. Concretely, this means compiling an index composed of the full UNDP Human Development Index (including income, health and education) and the AIDI, (see the "ADF-13 Resource Allocation Framework" paper, Annex VI for more details). Management believes that this yields a better indicator of countries' level of economic development and capacity to sustain debt which will result in a more robust grouping and a more sustainable outcome. The revised AHIDI is easy to calculate and monitor, and the required data is reliable and annually available. Annex VIII contains a detailed explanation of the exact composition of the revised AHIDI, the methodology for the country grouping, as well as a back-testing exercise to demonstrate its consistency over the years.

3.5. The grouping would be first established in December 2013 and would be reviewed every year. Countries with an AHIDI score above the average of all ADF-only countries would be placed in the "High" group, while countries with a score below the average would be placed in the "Low" group. For countries who are initially grouped in the "Low" group but whose scores improve such that they move above the average, in order to avoid repeated changes in lending terms due to year-to-year fluctuations, the "Advance" lending terms will only be applied (i.e. countries will move from the "low" group to the "high" group) after more than two consecutive years of scoring above the average. However, reverse transition (i.e. from "high" to "low") would occur immediately. This is similar to the Bank Group Credit Policy, where countries can only graduate from ADF to ADB after their GNI per capita has been above the threshold for more than two consecutive years.

3.6. As it is the case today, new lending terms will be applied only to new ADF loans. Furthermore, they will only apply to the loan portion of the allocations of the countries with moderate or low risk of debt distress according to the IMF/World Bank Debt Sustainability Framework ("green" or "yellow" countries.) "Red" light countries only eligible for grants will not be affected. FSF Pillar I eligible fragile states will likewise not be affected: even if they are in the "high" group, the regular ADF lending terms will continue to apply to them.

3.7. For illustrative purposes, applying the country data as used in the calculation of the 2013 ADF country allocations; this would result in an "advanced" group of 11 countries (excluding the "red" light countries and countries eligible for FSF Pillar I), Annex VIII provides detailed information on the resulting groups.

Proposals for hardened lending terms and impact on the ACC

3.8. The Fund currently has the highest concessionality among its peers (see table IX-1 in Annex IX). For gap and blend countries, other MDBs also apply less concessional lending terms than the Fund and the outstanding loan balance related to these types of loans is larger.

Furthermore, with IDA[11] and the Asian Development Fund (AsDF) considering a further hardening of lending terms for both their regular and blend countries in their next replenishments, Management proposes a revision of ADF lending terms. However, the proposed revised differentiated lending terms should ensure that the Fund maintains a level of concessionality above or equal to that offered by its peers.

3.9. It should also be noted that ADF has only three blend, gap and graduate countries out of 40 countries comparing to IDA (25 out of 81) and AsDF (15 out of 28). This is another reason for ADF for differentiating lending terms among ADF-only countries.

3.10. During the first ADF-13 replenishment meeting, Management proposed new hardened and differentiated lending terms aimed at increasing loan reflows in order to improve the Fund's financial capacity and to apply more appropriate lending terms in line with the economic situation of ADF countries. Deputies advised that the differentiated lending terms should be consistent with those of other MDBs concessional windows (especially IDA) and with the debt sustainability of the recipient countries.

3.11. Against this backdrop, Management recommends the application of the lending terms as specified in Table 6, starting from ADF-13, and introduces three levels of terms for ADF-only and Blend countries:

- "Regular" lending terms to be applied to the less economically advanced ADF-only countries and to Fragile States.
- "Advance" lending terms to be applied to the more economically advanced ADF-only countries;
- "Blend" lending terms to be applied to blend, gap and graduating countries.

Table 6: Recommended differentiated lending terms

	Lending term	Maturity (years)	Grace period (years)	First period (years)	Amorti-zation rate	Second period (years)	Amorti-zation rate	Service charge (%)	Commit-ment fee (%)	Interest rate (%)	Conces-sionality (%)
ADF-only	Regular: 40/10	40	10	10	2.0%	20	4%	75	50	0	61%
	Advance: 40/5	40	5	—	2.9%	—	2.9%	75	50	0	51%
Blend, gap and graduating	Blend: 30/5	30	5	—	4.0%	—	4.0%	75	50	1%	35%

3.12. By shortening the maturity and grace period the recommended lending terms increase the speed of loan reflows that can be recycled for new commitments and therefore enhance the commitment capacity of the Fund.

3.13. The proposed lending terms will be compliant with the debt sustainability framework. Countries assessed at high risk of debt distress ("red light" countries) would continue to receive all of their financial assistance in the form of grants and countries assessed at moderate risk of debt distress ("yellow light" countries) would continue to receive 50% of their financial assistance in the form of grants.

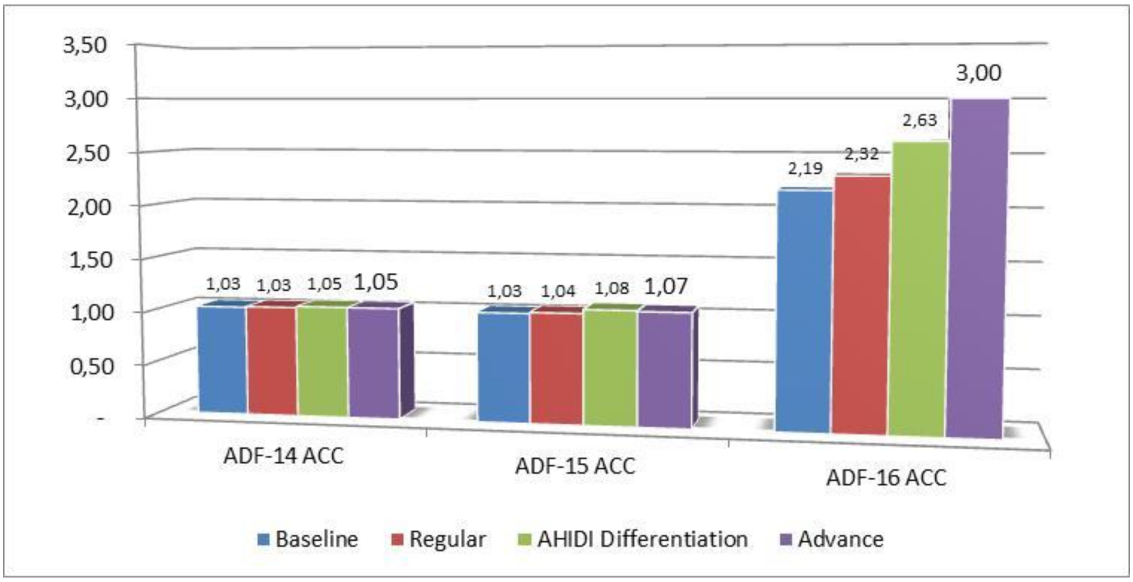
3.14. The proposed lending terms also maintain the concessionality above or equal to that offered by other MDBs (see table IX-2 in Annex IX). The less economically advanced ADF-only countries will received "Regular" lending terms with a concessionality of 61% while the more economically advanced ADF-only countries will receive "Advance" lending terms with a concessionality of 51%. It should be noted this 51% is the same level of concessionality that IDA is likely to apply starting IDA-17 while IDA's new lending terms for all IDA-only countries will have a concessionality of 51%. .

[11] In IDA-17 first replenishment meeting new lending terms were agreed to be applied to "green" and "yellow" IDA only countries, IDA's management proposal reaches a concessionality level of 51%.

Financial impact of the differentiated lending terms using AHIDI

3.15. Changes in lending terms generally do not have a significant impact in the short term. Accordingly, the new lending terms will have a very limited impact on the Fund's advanced commitment capacity for ADF-13, and will result in a marginal increase of 2% on the ACC when compared to the baseline scenario (current lending terms), as illustrated in Figure 3. The limited impact is mainly explained by the time lag effect, as the new terms will only apply to new loans, in combination with the grace period, which results in a delay before loan reflows start to materialize. However such impact becomes significant starting ADF-16, with an ACC above the baseline scenario level by 37%. In absolute terms, while the baseline scenario would yield an ACC for the ADF-16 replenishment of UA 2.19 billion, the AHIDI Differentiation would provide an ACC of UA 2.63 billion. The significant increase in the ADF-16 ACC is mainly due to the additional cash inflows[12] that the Fund is expected to start generating. It should be noted that the financial impact of the differentiated lending terms will also depends on the level of the mix between low and high AHIDI ADF-only countries that will be achieved over time.

Figure 3: Expected benefit of the new lending terms on the ACC of future replenishments



3.16. In light of above, the key benefits of implementation of the new differentiated lending terms for the Fund will be:

- Enable the Fund to substantially increase its future commitment capacity starting ADF-16 by approximately 37% compared with the current lending terms, depending on the number of countries in each credit classification.
- Apply differentiated lending terms commensurate with the economic situation of ADF countries and their debt sustainability

Transition framework for ensuring a smooth graduation

3.17. The graduation of ADF countries represents an important milestone on their development path, as they become less dependent on assistance and progress towards self-financing. Graduation is also beneficial for the country, as the volume of resources available under the ADB window is significantly higher than under the ADF window, thereby compensating for the lower grant element. For example, Cape Verde (ADB country since 2011) is able to borrow an average amount of UA 68 million during the ADF-12 cycle from the ADB window compared to UA 8 million from the ADF window. Graduation of ADF countries will also have an impact on the

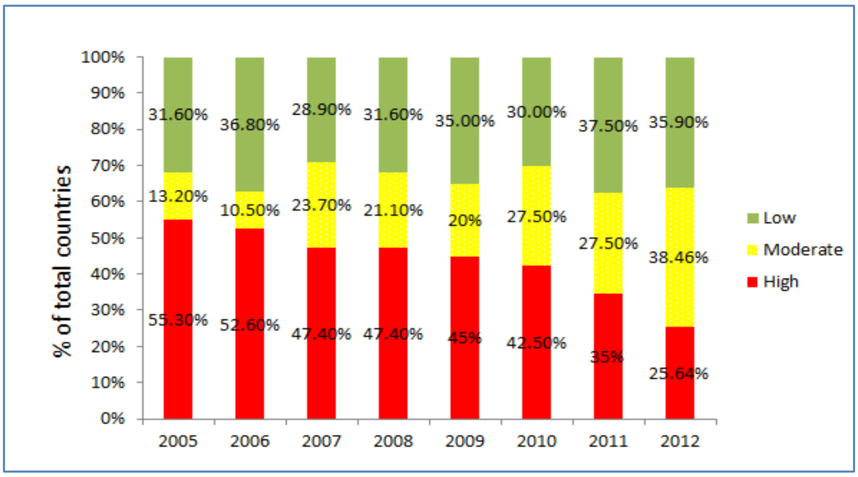
[12] Liquidity projections indicate that the additional cash inflows will enable the release of the Fund's liquidity constraint (requirement to cover 75% of annual disbursements). Starting from 2021, the Fund is expected to generate sufficient cash inflows to cover adequately its major cash outflows, thereby generating excess liquidity for additional loan commitments.

ADF's long-term financial sustainability and capacity and it will free up resources for other, needier ADF recipients, thereby further promoting the efficient use of resources for development.

3.18. The previous section on differentiation justified the rationale for applying hardened financial terms to ADF-only countries that have the capacity to shoulder them in order to better tailor the financing instruments and target the most concessional support to the poorest countries. Hardening the lending terms is an intermediate step to smoothen countries' transition to graduation since most of the countries that will receive loans in "Advance" terms have potential to graduate in the coming years.

3.19. Africa is indeed transforming and a significant number of ADF-only countries with low levels of risk debt distress (see Figure 4) are expected to surpass the GNI per capita threshold and therefore would become eligible for graduation[13]. However, depending on country circumstances, a sharp transition may cause difficulties in terms of programming and resource management. It is also important to ensure each country has the appropriate financial management capacity to absorb non-concessional resources thanks to a case by case analysis.

Figure 4: Evolution of ADF-only countries levels of risk of debt distress



3.20. The African Development Bank Group transition framework for graduating and reversing countries[14] is a flexible and tailored approach to ensure a smooth, predictable and sustainable transition. To achieve these objectives a phasing out/phasing in period of appropriate length is determined on the basis of objective criteria, taking into account countries needs for concessional funds. For graduating countries, ADF resources will be gradually phased out and ADB resources progressively phased in, in line with other MDBs, which generally take place over a period of 2 to 5 years.

3.21. In addition to the existing transition framework and in order to have a better understanding of the potential demand for the Fund and the Bank, a broad-based Bank-wide team will be set up. This team with a right skill mix (financial risk management, treasury, policy and private sector specialists) will handle country analysis and manage anticipating changes in the lending mix and financial terms. The team will undertake regular, periodic creditworthiness assessments of ADF countries approaching the income threshold and will engage in discussions with those countries approaching graduation, focusing on the advantages of the process to provide adequate incentives. These include:

[13] Eligibility for graduation from ADF to blend or ADB-only is currently determined by (GNI) per capita (Atlas method) and by creditworthiness. Countries whose GNI per capita surpasses the operational cut-off (USD 1,195 for 2012) for more than two consecutive years— and that are assessed to be creditworthy for non-concessional financing on ADB terms—, graduate to ADB-only status. Countries with an income below the operational threshold but that are found creditworthy are classified as blend.

[14] ADB/BD/WP/2011/20/Rev.1 and ADF/BD/WP/2011/14/Rev.1

- Potential increased volume of ADB public-sector window resources they would have access to as well as ADB private-sector window, Middle Income Countries Trust Fund, other trust funds managed by the Bank, and possibly the capital markets.
- Availability of various financial instruments and technical assistance services.
- Support the Bank can offer in attracting more third-party financing, improving the regulatory environment and business climate, strengthening domestic financial markets, providing advice or assistance with the issuance of government bonds and so on.

4. Indicative Financing Framework

Resources Carried-over from Previous Replenishments

4.1. The two main sources of carry-over resources are (i) subscriptions and payments received after the end of a given replenishment period, and (ii) available resources not committed during the previous replenishment cycle.

4.2. An amount of up to UA 629.13 million is expected to be carried over into ADF-13. This amount includes UA 399.81 million of qualified subscriptions, and UA 229.32 million of late subscriptions as detailed on table 7.

Table 7: Revised Estimates of Carry-Over Resources in ADF-12

Resources carried over from: (in UA million)	ADF-3	ADF-8	ADF-9	ADF-10	ADF-11	ADF-12 (Estimate)	TOTAL
Qualified subscriptions	7.02	0.16	23.28	2.55	0	366.80	399.81
Late subscriptions					64.02	165.30	229.32
Uncommitted resources							
Total	7.02	0.16	23.28	2.55	64.02	532.10	629.18

Qualified subscriptions

4.3. Under the terms of the replenishment, the subscriptions of State Participants become available for payment and commitment in three equal annual tranches. Donors whose payments are subject to annual legislative or parliamentary approvals deposit a qualified Instrument of Subscription with the Fund.

4.4. Although all ADF resolutions require that qualified subscriptions be unqualified by the payment dates specified in the replenishment, due to each donor's particular circumstances, that has not always been the case. As a result, some subscriptions across previous replenishments, from ADF-3 to ADF-10, are still qualified and represent expected contributions from Argentina (UA 7.02 million) and the United States (UA 25.99 million). Based on current information and past trends, the qualified subscriptions from ADF-12 that are expected to be carried over into ADF-13 amount to UA 366.80 million and are composed of the subscriptions of Argentina (UA 9.7 million), Spain (UA 108.43 million) and the United States (UA 248.60 million).

Late subscriptions

4.5. Portugal has not yet subscribed to ADF-12. However, the country has indicated that it will be in a position to both deposit an instrument of subscription and start paying in 2016[15].

[15] The net present value of Portugal's revised payment and encashment schedule is in line with that of its initial pledge.

4.6. Italy has informed the Fund that a multiannual budget law has been enacted in December 2012 which will allow for their subscription to ADF-12 in 2013, and the payment of outstanding amounts under the Eleventh General Replenishment of the African Development Fund (ADF-11) (UA 90.68 million). Hence, the Fund is expecting in 2013 UA 85.20 million from Italy (UA 26.67 million for ADF-11, UA 58.53 million for ADF-12) and will carry over UA 199.75 million into ADF-13.

4.7. In line with practices under previous replenishments, carry-over will be pooled with available ADF-13 resources, and administered and used under the terms and conditions of ADF-13.

Financing scenarios for ADF-13

4.8. The three financing scenarios for ADF-13 submitted during the first consultation meetings have been revised to take into account updated figures for the ACC, and are presented on the table 8 below.

Table 8: ADF-13 Replenishment Scenarios

	Donor Subscriptions			Advance Commitment Capacity		Total ADF-13 Resources		
Replenishment Scenario (in UA million)	**Amount**	**Nominal Increase over ADF-12**	**Real Increase over ADF-12**	**Amount**	**Nominal Increase over ADF-12**	**Amount**	**Nominal Increase over ADF-12**	**Real Increase over ADF-12**
Low	4,027	7%	0%	1,032	-49%	5,060	-13%	-18%
Consolidation	4,944	31%	23%	1,259	-37%	6,203	7%	0%
Transformation	5,442	44%	35%	1,381	-31%	6,823	18%	10%

4.9. It is worth noting that compared to the estimate of the ACC provided at the February replenishment meeting, the current estimate is now made under a different liquidity framework, since the ACC liquidity and the Donors liquidity have been merged. Consequently, any additional cash inflow from donors has a direct positive impact on the level of the ACC. In the previous liquidity framework (ACC liquidity separated from Donors liquidity), additional donors contribution had an indirect impact on the level of the ACC, through higher commitments and related higher loans reflows, expected to arise with a lag time after the grace period. This change in liquidity framework results in a higher ACC when donor contributions increase.

4.10. The replenishment scenarios presented assume a structural gap of 5 percent, commensurate with the agreement on technical gap made with donors during ADF-11. The subscription amount expected from donors under each scenario is detailed in Annex VI. The figures are shown in Units of Account and data in the various replenishment currencies will be made available for the September meeting, when the actual replenishment exchange rates are known.

4.11. None of the replenishment scenarios fully covers the indicative operations program (IOP) of UA 7,566.7 million being considered for funding through ADF-13 resources. A detailed analysis of the IOP is available on the “ADF-13 Three-Year Rolling Indicative Operational Program” information note prepared for the second replenishment meeting.

5. Conclusion

5.1. During the first meeting of ADF-13 replenishment held in February 2013 in Tunis, the initial estimate of the advanced commitment capacity (ACC) presented by Management to Deputies was UA 950 million. Following the deputies' guidance, Management undertook an in-depth assessment of the assumptions underpinning of the ACC model and a comprehensive review of the liquidity policy to optimize the ACC model without compromising the financial integrity of the Funds. The new ACC estimate for ADF-13 stands at UA 1,032 million and represents an improvement of UA 82 million compared to the previous estimate of February 2013. Nevertheless, it is still significantly lower than the UA 2,007 million for ADF-12 primarily due to lower interest rates and lower loan cancellation reflows.

5.2. In addition to the ACC estimate, approximately UA 210 million will be retained by the ADF countries whose operations have been cancelled and represent resources that countries can re-commit for on-going operations or new activities during ADF-13.

5.3. The high level of past advanced commitment capacity for ADF-11 and ADF-12 based on high interest rate assumptions that have not materialized, and the increasing level of loans and grants disbursements have contributed to putting pressure on the Fund's liquidity position. The lower ACC is also the result of a self-adjusting mechanism built into the Advanced Commitment Authority scheme, which ensures that the Fund minimizes the risk of over-commitment.

5.4. The low level of ACC and the growing substantial needs of ADF countries imply that strong efforts will be required both from the Bank Group and from donors to help the Fund sustain the pace of its development assistance to eligible RMCs in order to fulfill its mandate.

5.5. Management proposes several options to increase the Fund's financing capacity and to ensure that the available resources are allocated appropriately. The hardening and differentiated lending terms commensurate to the socio-economic circumstances and debt sustainability of recipient countries, will significantly increase the commitment capacity starting ADF-16.

5.6. Deputies are therefore invited to:

- Take note of the indicative level of ACC and level of replenishment resources for various scenarios.
- Endorse Management's proposals for the dual standard encashment schedules and the Accelerated encashment framework.
- Endorse Management's proposals for (i) differentiating criteria among groups of ADF-only countries; and (ii) new differentiated lending terms for ADF-only and Blend countries.

Annex I: ADF-13 accelerated encashment discount & credit determination mechanism

In order to preserve its financial integrity, and to ensure it deals fairly with all donors, the Fund must ensure that the financial value of the alternative accelerated encashment schedule is at least the same of that of the standard schedule. The Fund does so by assessing the Net Present Value (NPV) of the two schedules.

All calculations under the new fully hedged accelerated encashment mechanism will be based on currency specific Overnight Index Swap (OIS) rates. The table below shows the OIS rates as of 30th April 2013.

Table I-1: OIS rates as of 30th April 2013

Currency	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
EUR	0.07%	0.11%	0.18%	0.29%	0.44%	0.61%	0.77%	0.93%	1.06%	1.20%
JPY	0.06%	0.08%	0.10%	0.14%	0.18%	0.26%	0.32%	0.39%	0.47%	0.53%
GBP	0.35%	0.33%	0.37%	0.48%	0.63%	0.81%	1.00%	1.20%	1.39%	1.57%
USD	0.12%	0.15%	0.22%	0.37%	0.59%	N/A	1.07%	N/A	N/A	1.66%
CAD	0.98%	1.00%	1.09%	1.19%	1.31%	1.43%	1.55%	1.67%	1.79%	1.91%

Source: Bloomberg

The OIS rates are used to determine the discount factors necessary to determine the NPV of the standard and accelerated encashment schedules. A zero coupon curve will be built by bootstrapping the OIS curve to determine the relevant zero coupon rates needed to compute the discount factors for each encashment date. Bootstrapping is a mathematical method used to build interest rate discount curves using as a base the prices of a set of coupon-bearing financial instruments, such as bonds and / or interest rate swaps. The net present value of each schedule is obtained by multiplying the discount factors by the relevant encashment amounts and adding the resulting present value amounts.

Accelerated Encashments Discounts / Credits attributable to a donor are then calculated as follows:

- Discount = (NPVaccelerated – NPVstandard) / NPVaccelerated
- Credit = (NPVaccelerated – NPVstandard) / NPVstandard

Annex II: Sample ADF-13 Accelerated Encashment Schedules for Various Currencies

The accelerated encashment computations performed on this annex were based on the OIS rates and calculation mechanism described on Annex I, without any forward rate adjustment. They also assume a scenario where the ADF-13 standard 10-year encashment calendar starts on the 24th of February 2014, and where a country choses to begin its accelerated encashment payments on that same date while opting for the earliest possible fixing date (30 calendar days prior the first payment date of the accelerated encashment amount, i.e., 24/01/2014).

Table II-1: US Dollar

Encashment Date	Zero Coupon Rates (%)	Discount Factor	Standard Encashment Profile (%)	Accelerated Encashment Profile (%) 1 year		2 year		3 year		4 year		5 year	
				Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit
24-Feb-14	0.100	100.0%	1.258	24.09	25.00	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
24-May-14	0.116	100.0%	1.258	24.09	25.00	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
24-Aug-14	0.118	99.9%	1.258	24.09	25.00	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
24-Oct-14	0.119	99.9%	1.258	24.09	25.00	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
23-Feb-15	0.121	99.9%	2.585	-	-	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
23-May-15	0.125	99.8%	2.585	-	-	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
23-Aug-15	0.131	99.8%	2.585	-	-	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
23-Oct-15	0.139	99.8%	2.585	-	-	12.05	12.50	8.04	8.33	6.04	6.25	4.85	5.00
21-Feb-16	0.155	99.7%	3.690	-	-	-	-	8.04	8.33	6.04	6.25	4.85	5.00
21-May-16	0.175	99.6%	3.690	-	-	-	-	8.04	8.33	6.04	6.25	4.85	5.00
21-Aug-16	0.193	99.5%	3.690	-	-	-	-	8.04	8.33	6.04	6.25	4.85	5.00
21-Oct-16	0.202	99.4%	3.690	-	-	-	-	8.04	8.33	6.04	6.25	4.85	5.00
27-Feb-17	0.230	99.3%	3.768	-	-	-	-	-	-	6.04	6.25	4.85	5.00
27-May-17	0.276	99.1%	3.768	-	-	-	-	-	-	6.04	6.25	4.85	5.00
27-Aug-17	0.317	98.9%	3.768	-	-	-	-	-	-	6.04	6.25	4.85	5.00
27-Oct-17	0.341	98.7%	3.768	-	-	-	-	-	-	6.04	6.25	4.85	5.00
26-Feb-18	0.393	98.4%	3.248	-	-	-	-	-	-	-	-	4.85	5.00
26-May-18	0.454	98.0%	3.248	-	-	-	-	-	-	-	-	4.85	5.00
26-Aug-18	0.509	97.7%	3.248	-	-	-	-	-	-	-	-	4.85	5.00
26-Oct-18	0.542	97.4%	3.248	-	-	-	-	-	-	-	-	4.85	5.00
24-Feb-19	0.612	96.9%	2.793	-	-	-	-	-	-	-	-	-	-
24-May-19	0.691	96.3%	2.793	-	-	-	-	-	-	-	-	-	-
24-Aug-19	0.762	95.8%	2.793	-	-	-	-	-	-	-	-	-	-
24-Oct-19	0.806	95.4%	2.793	-	-	-	-	-	-	-	-	-	-
23-Feb-20	0.886	94.7%	2.535	-	-	-	-	-	-	-	-	-	-
23-May-20	0.941	94.2%	2.535	-	-	-	-	-	-	-	-	-	-
23-Aug-20	0.992	93.6%	2.535	-	-	-	-	-	-	-	-	-	-
23-Oct-20	1.024	93.3%	2.535	-	-	-	-	-	-	-	-	-	-
23-Feb-21	1.089	92.5%	2.283	-	-	-	-	-	-	-	-	-	-
23-May-21	1.155	91.8%	2.283	-	-	-	-	-	-	-	-	-	-
23-Aug-21	1.218	91.1%	2.283	-	-	-	-	-	-	-	-	-	-
23-Oct-21	1.257	90.7%	2.283	-	-	-	-	-	-	-	-	-	-
22-Feb-22	1.328	89.8%	2.083	-	-	-	-	-	-	-	-	-	-
22-May-22	1.381	89.1%	2.083	-	-	-	-	-	-	-	-	-	-
22-Aug-22	1.429	88.4%	2.083	-	-	-	-	-	-	-	-	-	-
22-Oct-22	1.460	87.9%	2.083	-	-	-	-	-	-	-	-	-	-
26-Feb-23	1.517	87.1%	0.760	-	-	-	-	-	-	-	-	-	-
26-May-23	1.557	86.4%	0.760	-	-	-	-	-	-	-	-	-	-
26-Aug-23	1.596	85.7%	0.760	-	-	-	-	-	-	-	-	-	-
26-Oct-23	1.621	85.3%	0.760	-	-	-	-	-	-	-	-	-	-
NPV equivalent			96.30	96.30	99.95	96.30	99.88	96.30	99.77	96.30	99.57	96.30	99.23
Total Payments				96.35	100.00	96.42	100.00	96.53	100.00	96.72	100.00	97.05	100.00
Final Contribution			100.00	100.00	103.78	100.00	103.71	100.00	103.60	100.00	103.39	100.00	103.04
Discount / Credit (%)				3.65	3.78	3.58	3.71	3.47	3.60	3.28	3.39	2.95	3.04

Annex II (Continued)

Table II-2: Euro

Encashment Date	Zero Coupon Rates (%)	Discount Factor	Standard Encashment Profile (%)	Accelerated Encashment Profile (%)									
				1 year		2 year		3 year		4 year		5 year	
				Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit
24-Feb-14	0.068	100.0%	1.258	24.33	25.00	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
24-May-14	0.065	100.0%	1.258	24.33	25.00	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
24-Aug-14	0.059	100.0%	1.258	24.33	25.00	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
24-Oct-14	0.061	100.0%	1.258	24.33	25.00	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
23-Feb-15	0.070	99.9%	2.585	-	-	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
23-May-15	0.078	99.9%	2.585	-	-	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
23-Aug-15	0.086	99.9%	2.585	-	-	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
23-Oct-15	0.095	99.8%	2.585	-	-	12.17	12.50	8.12	8.33	6.10	6.25	4.89	5.00
21-Feb-16	0.109	99.8%	3.690	-	-	-	-	8.12	8.33	6.10	6.25	4.89	5.00
21-May-16	0.120	99.7%	3.690	-	-	-	-	8.12	8.33	6.10	6.25	4.89	5.00
21-Aug-16	0.136	99.6%	3.690	-	-	-	-	8.12	8.33	6.10	6.25	4.89	5.00
21-Oct-16	0.155	99.6%	3.690	-	-	-	-	8.12	8.33	6.10	6.25	4.89	5.00
27-Feb-17	0.192	99.4%	3.768	-	-	-	-	-	-	6.10	6.25	4.89	5.00
27-May-17	0.222	99.3%	3.768	-	-	-	-	-	-	6.10	6.25	4.89	5.00
27-Aug-17	0.249	99.1%	3.768	-	-	-	-	-	-	6.10	6.25	4.89	5.00
27-Oct-17	0.264	99.0%	3.768	-	-	-	-	-	-	6.10	6.25	4.89	5.00
26-Feb-18	0.300	98.8%	3.248	-	-	-	-	-	-	-	-	4.89	5.00
26-May-18	0.345	98.5%	3.248	-	-	-	-	-	-	-	-	4.89	5.00
26-Aug-18	0.385	98.2%	3.248	-	-	-	-	-	-	-	-	4.89	5.00
26-Oct-18	0.409	98.1%	3.248	-	-	-	-	-	-	-	-	4.89	5.00
24-Feb-19	0.457	97.7%	2.793	-	-	-	-	-	-	-	-	-	-
24-May-19	0.504	97.3%	2.793	-	-	-	-	-	-	-	-	-	-
24-Aug-19	0.547	97.0%	2.793	-	-	-	-	-	-	-	-	-	-
24-Oct-19	0.573	96.7%	2.793	-	-	-	-	-	-	-	-	-	-
23-Feb-20	0.623	96.2%	2.535	-	-	-	-	-	-	-	-	-	-
23-May-20	0.668	95.8%	2.535	-	-	-	-	-	-	-	-	-	-
23-Aug-20	0.709	95.4%	2.535	-	-	-	-	-	-	-	-	-	-
23-Oct-20	0.735	95.1%	2.535	-	-	-	-	-	-	-	-	-	-
23-Feb-21	0.784	94.5%	2.283	-	-	-	-	-	-	-	-	-	-
23-May-21	0.828	94.1%	2.283	-	-	-	-	-	-	-	-	-	-
23-Aug-21	0.867	93.6%	2.283	-	-	-	-	-	-	-	-	-	-
23-Oct-21	0.892	93.3%	2.283	-	-	-	-	-	-	-	-	-	-
22-Feb-22	0.940	92.6%	2.083	-	-	-	-	-	-	-	-	-	-
22-May-22	0.976	92.1%	2.083	-	-	-	-	-	-	-	-	-	-
22-Aug-22	1.010	91.6%	2.083	-	-	-	-	-	-	-	-	-	-
22-Oct-22	1.032	91.3%	2.083	-	-	-	-	-	-	-	-	-	-
26-Feb-23	1.074	90.6%	0.760	-	-	-	-	-	-	-	-	-	-
26-May-23	1.112	90.1%	0.760	-	-	-	-	-	-	-	-	-	-
26-Aug-23	1.147	89.5%	0.760	-	-	-	-	-	-	-	-	-	-
26-Oct-23	1.169	89.1%	0.760	-	-	-	-	-	-	-	-	-	-
NPV equivalent			97.31	97.31	99.97	97.31	99.93	97.31	99.84	97.31	99.68	97.31	99.42
Total Payments				97.33	100.00	97.38	100.00	97.46	100.00	97.62	100.00	97.87	100.00
Final Contribution			100.00	100.00	102.74	100.00	102.69	100.00	102.61	100.00	102.44	100.00	102.17
Discount / Credit (%)				2.67	2.74	2.62	2.69	2.54	2.61	2.38	2.44	2.13	2.17

Annex II (Continued)

Table II-3: UK Pound

Encashment Date	Zero Coupon Rates (%)	Discount Factor	Standard Encashment Profile (%)	Accelerated Encashment Profile (%)									
				1 year		2 year		3 year		4 year		5 year	
				Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit
24-Feb-14	0.418	100.0%	1.258	24.12	25.00	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
24-May-14	0.395	99.9%	1.258	24.12	25.00	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
24-Aug-14	0.375	99.8%	1.258	24.12	25.00	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
24-Oct-14	0.364	99.7%	1.258	24.12	25.00	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
23-Feb-15	0.343	99.6%	2.585	-	-	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
23-May-15	0.335	99.6%	2.585	-	-	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
23-Aug-15	0.330	99.5%	2.585	-	-	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
23-Oct-15	0.330	99.4%	2.585	-	-	12.08	12.50	8.07	8.33	6.07	6.25	4.87	5.00
21-Feb-16	0.334	99.3%	3.690	-	-	-	-	8.07	8.33	6.07	6.25	4.87	5.00
21-May-16	0.345	99.2%	3.690	-	-	-	-	8.07	8.33	6.07	6.25	4.87	5.00
21-Aug-16	0.355	99.1%	3.690	-	-	-	-	8.07	8.33	6.07	6.25	4.87	5.00
21-Oct-16	0.360	99.0%	3.690	-	-	-	-	8.07	8.33	6.07	6.25	4.87	5.00
27-Feb-17	0.380	98.8%	3.768	-	-	-	-	-	-	6.07	6.25	4.87	5.00
27-May-17	0.411	98.6%	3.768	-	-	-	-	-	-	6.07	6.25	4.87	5.00
27-Aug-17	0.439	98.4%	3.768	-	-	-	-	-	-	6.07	6.25	4.87	5.00
27-Oct-17	0.455	98.3%	3.768	-	-	-	-	-	-	6.07	6.25	4.87	5.00
26-Feb-18	0.492	98.0%	3.248	-	-	-	-	-	-	-	-	4.87	5.00
26-May-18	0.536	97.7%	3.248	-	-	-	-	-	-	-	-	4.87	5.00
26-Aug-18	0.575	97.4%	3.248	-	-	-	-	-	-	-	-	4.87	5.00
26-Oct-18	0.599	97.2%	3.248	-	-	-	-	-	-	-	-	4.87	5.00
24-Feb-19	0.648	96.8%	2.793	-	-	-	-	-	-	-	-	-	-
24-May-19	0.697	96.4%	2.793	-	-	-	-	-	-	-	-	-	-
24-Aug-19	0.742	96.0%	2.793	-	-	-	-	-	-	-	-	-	-
24-Oct-19	0.769	95.7%	2.793	-	-	-	-	-	-	-	-	-	-
23-Feb-20	0.825	95.1%	2.535	-	-	-	-	-	-	-	-	-	-
23-May-20	0.878	94.6%	2.535	-	-	-	-	-	-	-	-	-	-
23-Aug-20	0.927	94.1%	2.535	-	-	-	-	-	-	-	-	-	-
23-Oct-20	0.958	93.8%	2.535	-	-	-	-	-	-	-	-	-	-
23-Feb-21	1.019	93.1%	2.283	-	-	-	-	-	-	-	-	-	-
23-May-21	1.073	92.5%	2.283	-	-	-	-	-	-	-	-	-	-
23-Aug-21	1.125	91.9%	2.283	-	-	-	-	-	-	-	-	-	-
23-Oct-21	1.157	91.5%	2.283	-	-	-	-	-	-	-	-	-	-
22-Feb-22	1.219	90.7%	2.083	-	-	-	-	-	-	-	-	-	-
22-May-22	1.272	90.0%	2.083	-	-	-	-	-	-	-	-	-	-
22-Aug-22	1.321	89.3%	2.083	-	-	-	-	-	-	-	-	-	-
22-Oct-22	1.352	88.9%	2.083	-	-	-	-	-	-	-	-	-	-
26-Feb-23	1.412	88.0%	0.760	-	-	-	-	-	-	-	-	-	-
26-May-23	1.458	87.4%	0.760	-	-	-	-	-	-	-	-	-	-
26-Aug-23	1.503	86.7%	0.760	-	-	-	-	-	-	-	-	-	-
26-Oct-23	1.532	86.2%	0.760	-	-	-	-	-	-	-	-	-	-
NPV equivalent			96.33	96.33	99.84	96.33	99.68	96.33	99.50	96.33	99.27	96.33	98.93
Total Payments				96.49	100.00	96.64	100.00	96.81	100.00	97.04	100.00	97.37	100.00
Final Contribution			100.00	100.00	103.64	100.00	103.47	100.00	103.29	100.00	103.05	100.00	102.70
Discount / Credit (%)				3.51	3.64	3.36	3.47	3.19	3.29	2.96	3.05	2.63	2.70

Annex II (Continued)

Table II-4: Japanese Yen

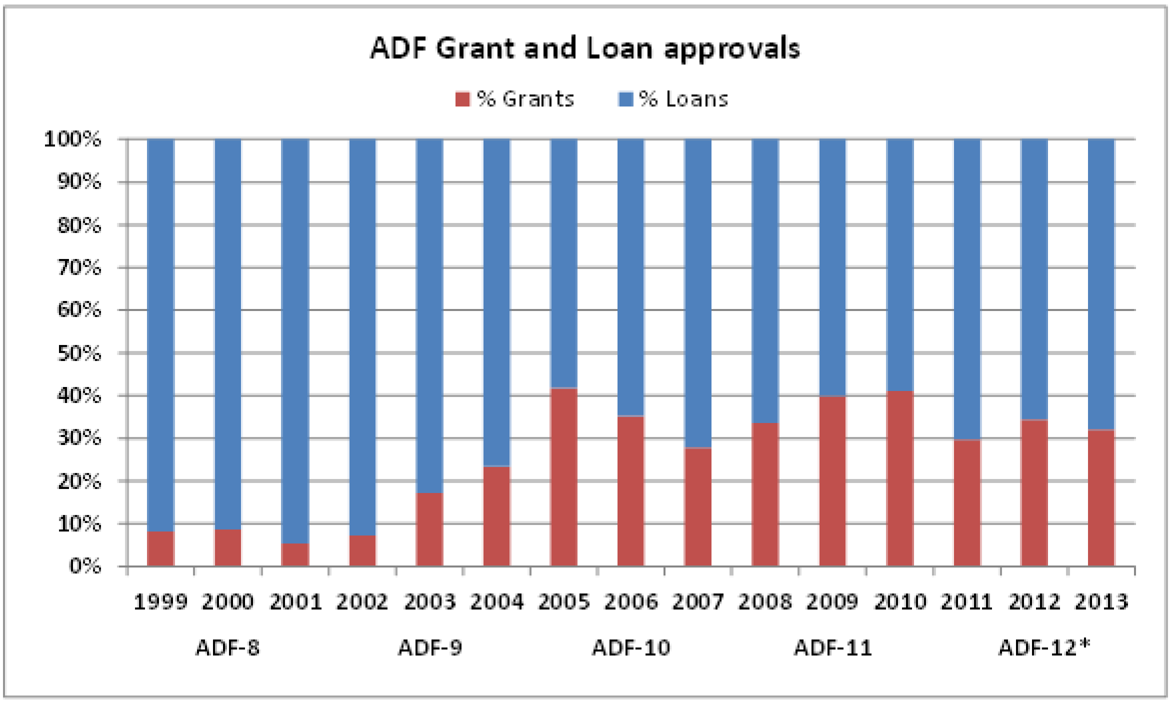
Encashment Date	Zero Coupon Rates (%)	Discount Factor (%)	Standard Encashment Profile (%)	Accelerated Encashment Profile (%)									
				1 year		2 year		3 year		4 year		5 year	
				Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit
24-Feb-14	0.056	100.0%	1.258	24.72	25.00	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
24-May-14	0.063	100.0%	1.258	24.72	25.00	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
24-Aug-14	0.067	100.0%	1.258	24.72	25.00	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
24-Oct-14	0.069	99.9%	1.258	24.72	25.00	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
23-Feb-15	0.062	99.9%	2.585	-	-	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
23-May-15	0.068	99.9%	2.585	-	-	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
23-Aug-15	0.072	99.9%	2.585	-	-	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
23-Oct-15	0.073	99.9%	2.585	-	-	12.36	12.50	8.25	8.33	6.19	6.25	4.96	5.00
21-Feb-16	0.077	99.8%	3.690	-	-	-	-	8.25	8.33	6.19	6.25	4.96	5.00
21-May-16	0.084	99.8%	3.690	-	-	-	-	8.25	8.33	6.19	6.25	4.96	5.00
21-Aug-16	0.090	99.8%	3.690	-	-	-	-	8.25	8.33	6.19	6.25	4.96	5.00
21-Oct-16	0.094	99.7%	3.690	-	-	-	-	8.25	8.33	6.19	6.25	4.96	5.00
27-Feb-17	0.101	99.7%	3.768	-	-	-	-	-	-	6.19	6.25	4.96	5.00
27-May-17	0.113	99.6%	3.768	-	-	-	-	-	-	6.19	6.25	4.96	5.00
27-Aug-17	0.122	99.6%	3.768	-	-	-	-	-	-	6.19	6.25	4.96	5.00
27-Oct-17	0.128	99.5%	3.768	-	-	-	-	-	-	6.19	6.25	4.96	5.00
26-Feb-18	0.139	99.4%	3.248	-	-	-	-	-	-	-	-	4.96	5.00
26-May-18	0.150	99.4%	3.248	-	-	-	-	-	-	-	-	4.96	5.00
26-Aug-18	0.160	99.3%	3.248	-	-	-	-	-	-	-	-	4.96	5.00
26-Oct-18	0.166	99.2%	3.248	-	-	-	-	-	-	-	-	4.96	5.00
24-Feb-19	0.181	99.1%	2.793	-	-	-	-	-	-	-	-	-	-
24-May-19	0.204	98.9%	2.793	-	-	-	-	-	-	-	-	-	-
24-Aug-19	0.226	98.8%	2.793	-	-	-	-	-	-	-	-	-	-
24-Oct-19	0.239	98.6%	2.793	-	-	-	-	-	-	-	-	-	-
23-Feb-20	0.263	98.4%	2.535	-	-	-	-	-	-	-	-	-	-
23-May-20	0.281	98.3%	2.535	-	-	-	-	-	-	-	-	-	-
23-Aug-20	0.297	98.1%	2.535	-	-	-	-	-	-	-	-	-	-
23-Oct-20	0.307	98.0%	2.535	-	-	-	-	-	-	-	-	-	-
23-Feb-21	0.327	97.7%	2.283	-	-	-	-	-	-	-	-	-	-
23-May-21	0.345	97.5%	2.283	-	-	-	-	-	-	-	-	-	-
23-Aug-21	0.363	97.3%	2.283	-	-	-	-	-	-	-	-	-	-
23-Oct-21	0.373	97.2%	2.283	-	-	-	-	-	-	-	-	-	-
22-Feb-22	0.395	96.9%	2.083	-	-	-	-	-	-	-	-	-	-
22-May-22	0.417	96.6%	2.083	-	-	-	-	-	-	-	-	-	-
22-Aug-22	0.437	96.4%	2.083	-	-	-	-	-	-	-	-	-	-
22-Oct-22	0.451	96.2%	2.083	-	-	-	-	-	-	-	-	-	-
26-Feb-23	0.474	95.9%	0.760	-	-	-	-	-	-	-	-	-	-
26-May-23	0.488	95.6%	0.760	-	-	-	-	-	-	-	-	-	-
26-Aug-23	0.502	95.4%	0.760	-	-	-	-	-	-	-	-	-	-
26-Oct-23	0.511	95.3%	0.760	-	-	-	-	-	-	-	-	-	-
NPV equivalent			98.84	98.84	99.97	98.84	99.94	98.84	99.89	98.84	99.82	98.84	99.72
Total Payments				98.87	100.00	98.90	100.00	98.95	100.00	99.02	100.00	99.12	100.00
Final Contribution			100.00	100.00	101.15	100.00	101.11	100.00	101.06	100.00	100.99	100.00	100.89
Discount / Credit (%)				1.13	1.15	1.10	1.11	1.05	1.06	0.98	0.99	0.88	0.89

Annex II (Continued)

Table II-5: Canadian Dollar

Encashment Date	Zero Coupon Rates (%)	Discount Factor	Standard Encashment Profile (%)	Accelerated Encashment Profile (%)									
				1 year - %-		2 year - %-		3 year - %-		4 year - %-		5 year - %-	
				Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit	Discount	Credit
24-Feb-14	0.918	99.9%	1.258	23.56	25.00	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
24-May-14	0.976	99.7%	1.258	23.56	25.00	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
24-Aug-14	0.980	99.4%	1.258	23.56	25.00	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
24-Oct-14	0.971	99.3%	1.258	23.56	25.00	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
23-Feb-15	0.976	99.0%	2.585	-	-	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
23-May-15	0.985	98.7%	2.585	-	-	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
23-Aug-15	0.992	98.5%	2.585	-	-	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
23-Oct-15	0.995	98.3%	2.585	-	-	11.84	12.50	7.94	8.33	5.99	6.25	4.82	5.00
21-Feb-16	1.008	97.9%	3.690	-	-	-	-	7.94	8.33	5.99	6.25	4.82	5.00
21-May-16	1.036	97.6%	3.690	-	-	-	-	7.94	8.33	5.99	6.25	4.82	5.00
21-Aug-16	1.058	97.3%	3.690	-	-	-	-	7.94	8.33	5.99	6.25	4.82	5.00
21-Oct-16	1.070	97.1%	3.690	-	-	-	-	7.94	8.33	5.99	6.25	4.82	5.00
27-Feb-17	1.097	96.7%	3.768	-	-	-	-	-	-	5.99	6.25	4.82	5.00
27-May-17	1.128	96.3%	3.768	-	-	-	-	-	-	5.99	6.25	4.82	5.00
27-Aug-17	1.154	96.0%	3.768	-	-	-	-	-	-	5.99	6.25	4.82	5.00
27-Oct-17	1.170	95.7%	3.768	-	-	-	-	-	-	5.99	6.25	4.82	5.00
26-Feb-18	1.202	95.2%	3.248	-	-	-	-	-	-	-	-	4.82	5.00
26-May-18	1.235	94.8%	3.248	-	-	-	-	-	-	-	-	4.82	5.00
26-Aug-18	1.263	94.4%	3.248	-	-	-	-	-	-	-	-	4.82	5.00
26-Oct-18	1.281	94.1%	3.248	-	-	-	-	-	-	-	-	4.82	5.00
24-Feb-19	1.317	93.6%	2.793	-	-	-	-	-	-	-	-	-	-
24-May-19	1.352	93.1%	2.793	-	-	-	-	-	-	-	-	-	-
24-Aug-19	1.385	92.6%	2.793	-	-	-	-	-	-	-	-	-	-
24-Oct-19	1.405	92.3%	2.793	-	-	-	-	-	-	-	-	-	-
23-Feb-20	1.444	91.6%	2.535	-	-	-	-	-	-	-	-	-	-
23-May-20	1.477	91.1%	2.535	-	-	-	-	-	-	-	-	-	-
23-Aug-20	1.507	90.6%	2.535	-	-	-	-	-	-	-	-	-	-
23-Oct-20	1.527	90.3%	2.535	-	-	-	-	-	-	-	-	-	-
23-Feb-21	1.564	89.6%	2.283	-	-	-	-	-	-	-	-	-	-
23-May-21	1.597	89.0%	2.283	-	-	-	-	-	-	-	-	-	-
23-Aug-21	1.626	88.5%	2.283	-	-	-	-	-	-	-	-	-	-
23-Oct-21	1.645	88.1%	2.283	-	-	-	-	-	-	-	-	-	-
22-Feb-22	1.682	87.4%	2.083	-	-	-	-	-	-	-	-	-	-
22-May-22	1.714	86.8%	2.083	-	-	-	-	-	-	-	-	-	-
22-Aug-22	1.744	86.2%	2.083	-	-	-	-	-	-	-	-	-	-
22-Oct-22	1.763	85.8%	2.083	-	-	-	-	-	-	-	-	-	-
26-Feb-23	1.800	85.0%	0.760	-	-	-	-	-	-	-	-	-	-
26-May-23	1.831	84.4%	0.760	-	-	-	-	-	-	-	-	-	-
26-Aug-23	1.860	83.8%	0.760	-	-	-	-	-	-	-	-	-	-
26-Oct-23	1.879	83.4%	0.760	-	-	-	-	-	-	-	-	-	-
NPV equivalent			93.85	93.85	99.58	93.85	99.09	93.85	98.56	93.85	97.96	93.85	97.30
Total Payments				94.25	100.00	94.72	100.00	95.22	100.00	95.80	100.00	96.46	100.00
Final Contribution			100.00	100.00	106.10	100.00	105.58	100.00	105.01	100.00	104.38	100.00	103.67
Discount / Credit (%)				5.75	6.10	5.28	5.58	4.78	5.01	4.20	4.38	3.54	3.67

Annex III: Grant financing as a portion of the Fund's approvals



Annex IV: Updated donor grant compensation schedules

Table IV-1: ADF-9 grant compensation schedule

Donors	Burden Share		ADF-9 Grant Compensation Schedule (UA thousand)											
	Original	Normalized	2013	2014	2015	2016	2017	2018	2019	202x	203x	204x	205x	206x
ARGENTINA	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
AUSTRIA	0.98%	1.25%	6	16	45	56	56	56	56	1,149	1,692	1,692	814	-
BELGIUM	1.65%	2.10%	10	26	76	95	95	95	95	1,934	2,847	2,847	1,369	-
BRAZIL	0.33%	0.45%	2	6	16	20	20	20	20	412	606	606	291	-
CANADA	4.50%	5.73%	28	72	208	259	259	259	259	5,275	7,765	7,765	3,735	-
CHINA	1.64%	2.09%	10	26	76	94	94	94	94	1,925	2,833	2,833	1,363	-
DENMARK	3.00%	3.82%	18	48	139	173	173	173	173	3,517	5,177	5,177	2,490	-
EGYPT	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
FINLAND	1.50%	1.91%	9	24	69	86	86	86	86	1,758	2,588	2,588	1,245	-
FRANCE	7.33%	9.33%	45	117	339	421	421	421	421	8,590	12,644	12,644	6,082	-
GERMANY	8.35%	10.64%	51	134	387	481	481	481	481	9,794	14,416	14,416	6,934	-
INDIA	0.17%	0.22%	1	3	8	10	10	10	10	204	300	300	144	-
ITALY	4.30%	5.47%	26	69	199	247	247	247	247	5,041	7,420	7,420	3,569	-
JAPAN	8.82%	11.22%	54	141	408	507	507	507	507	10,336	15,214	15,214	7,318	-
KOREA	0.64%	0.81%	4	10	29	37	37	37	37	746	1,097	1,097	528	-
KUWAIT	0.34%	0.21%	1	3	8	10	10	10	10	196	288	288	139	-
THE NETHERLANDS	3.70%	4.71%	23	59	171	213	213	213	213	4,337	6,384	6,384	3,071	-
NORWAY	3.54%	4.51%	22	57	164	204	204	204	204	4,150	6,108	6,108	2,938	-
PORTUGAL	0.64%	0.82%	4	10	30	37	37	37	37	753	1,108	1,108	533	-
SAUDI ARABIA	0.54%	0.69%	3	9	25	31	31	31	31	633	932	932	448	-
SOUTH AFRICA	0.12%	0.15%	1	2	5	7	7	7	7	138	203	203	98	-
SPAIN	2.00%	2.92%	14	37	106	132	132	132	132	2,690	3,960	3,960	1,904	-
SWEDEN	4.00%	5.09%	25	64	185	230	230	230	230	4,689	6,902	6,902	3,320	-
SWITZERLAND	3.00%	3.82%	18	48	139	173	173	173	173	3,517	5,177	5,177	2,490	-
UNITED KINGDOM	5.50%	7.00%	34	88	255	316	316	316	316	6,447	9,490	9,490	4,565	-
USA	11.82%	15.05%	72	189	547	680	680	680	680	13,854	20,394	20,394	9,809	-
Total	**78.41%**	**100.00%**	**481**	**1,259**	**3,637**	**4,518**	**4,518**	**4,518**	**4,518**	**92,084**	**135,547**	**135,547**	**65,194**	**-**

Note: shaded area of the schedule are provisional and as such could be subject to future revisions.

Table IV-2: ADF-10 grant compensation schedule

Donors	ADF-10		ADF-10 Grant Compensation Schedule (UA thousand)								
	Original	Normalized	2016	2017	2018	2019	202x	203x	204x	205x	206x
ARGENTINA	0.00%	0.00%	-	-	-	-	-	-	-	-	-
AUSTRIA	1.65%	2.29%	84	185	253	284	4,453	8,523	8,523	6,106	-
BELGIUM	1.55%	2.15%	79	174	238	267	4,183	8,007	8,007	5,736	-
BRAZIL	0.00%	0.00%	-	-	-	-	-	-	-	-	-
CANADA	4.50%	6.23%	229	504	690	775	12,144	23,246	23,246	16,653	-
CHINA	1.64%	2.27%	84	184	252	283	4,431	8,482	8,482	6,076	-
DENMARK	1.09%	1.51%	55	122	167	187	2,936	5,620	5,620	4,026	-
EGYPT	0.00%	0.00%	-	-	-	-	-	-	-	-	-
FINLAND	1.50%	2.08%	76	168	230	258	4,048	7,749	7,749	5,551	-
FRANCE	9.20%	12.74%	468	1,030	1,410	1,584	24,827	47,524	47,524	34,046	-
GERMANY	6.61%	9.16%	337	740	1,013	1,138	17,838	34,145	34,145	24,461	-
INDIA	0.17%	0.24%	9	19	27	30	470	899	899	644	-
ITALY	4.00%	5.54%	204	448	613	689	10,794	20,663	20,663	14,802	-
JAPAN	6.68%	9.26%	340	748	1,024	1,151	18,032	34,517	34,517	24,728	-
KOREA	0.64%	0.88%	32	71	97	110	1,716	3,285	3,285	2,354	-
KUWAIT	0.17%	0.23%	9	19	26	29	451	863	863	618	-
THE NETHERLANDS	3.84%	5.31%	195	430	588	660	10,349	19,810	19,810	14,192	-
NORWAY	3.54%	4.90%	180	396	542	610	9,553	18,286	18,286	13,100	-
PORTUGAL	0.57%	0.78%	29	63	87	97	1,525	2,919	2,919	2,091	-
SAUDI ARABIA	0.30%	0.42%	15	34	46	52	812	1,555	1,555	1,114	-
SOUTH AFRICA	0.12%	0.16%	6	13	18	20	318	610	610	437	-
SPAIN	2.20%	3.05%	112	246	337	379	5,937	11,364	11,364	8,141	-
SWEDEN	4.00%	5.54%	204	448	613	689	10,794	20,663	20,663	14,802	-
SWITZERLAND	2.57%	3.56%	131	287	393	442	6,927	13,260	13,260	9,500	-
UNITED KINGDOM	7.50%	10.39%	382	840	1,149	1,291	20,239	38,743	38,743	27,755	-
USA	8.17%	11.32%	416	915	1,252	1,407	22,048	42,204	42,204	30,234	-
Totals	**72.20%**	**100.00%**	**3,676**	**8,086**	**11,064**	**12,431**	**194,825**	**372,936**	**372,936**	**267,167**	**-**

Note: *shaded area of the schedule are provisional and as such could be subject to future revisions.*

Table IV-3: ADF-11 grant compensation schedule

Donors	ADF-11		ADF-11 Grant Compensation Schedule (UA thousand)														
	Original	Normalized	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	203x	204x	205x	206x
ARGENTINA	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AUSTRIA	2.34%	2.46%	130	293	417	446	620	620	620	620	620	620	880	17,200	18,607	18,218	2,111
BELGIUM	2.07%	2.18%	115	260	370	396	550	550	550	550	550	550	780	15,250	16,497	16,152	1,872
BRAZIL	0.18%	0.19%	10	22	32	34	47	47	47	47	47	47	67	1,303	1,410	1,380	160
CANADA	5.00%	5.25%	278	627	891	954	1,325	1,325	1,325	1,325	1,325	1,325	1,880	36,743	39,749	38,917	4,510
CHINA	2.16%	2.27%	120	271	385	412	573	573	573	573	573	573	813	15,880	17,179	16,819	1,949
DENMARK	1.38%	1.45%	77	173	247	264	367	367	367	367	367	367	520	10,169	11,002	10,771	1,248
EGYPT	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FINLAND	2.41%	2.54%	134	302	430	460	639	639	639	639	639	639	907	17,732	19,183	18,781	2,176
FRANCE	10.91%	11.46%	605	1,367	1,944	2,080	2,891	2,891	2,891	2,891	2,891	2,891	4,101	80,158	86,717	84,900	9,839
GERMANY	10.82%	11.37%	600	1,356	1,928	2,063	2,867	2,867	2,867	2,867	2,867	2,867	4,068	79,496	86,001	84,200	9,758
INDIA	0.17%	0.18%	10	22	31	33	46	46	46	46	46	46	65	1,279	1,383	1,354	157
ITALY	5.26%	5.53%	292	660	938	1,004	1,395	1,395	1,395	1,395	1,395	1,395	1,979	38,683	41,849	40,972	4,748
JAPAN	7.07%	7.43%	392	886	1,260	1,349	1,874	1,874	1,874	1,874	1,874	1,874	2,659	51,958	56,210	55,033	6,378
KOREA	0.88%	0.92%	49	110	157	168	233	233	233	233	233	233	330	6,454	6,982	6,836	792
KUWAIT	0.18%	0.19%	10	23	32	34	48	48	48	48	48	48	68	1,323	1,431	1,401	162
THE NETHERLANDS	5.44%	5.71%	302	682	969	1,037	1,441	1,441	1,441	1,441	1,441	1,441	2,045	39,959	43,229	42,323	4,905
NORWAY	4.52%	4.75%	251	566	805	862	1,197	1,197	1,197	1,197	1,197	1,197	1,699	33,195	35,912	35,160	4,075
PORTUGAL	0.80%	0.84%	44	100	143	153	212	212	212	212	212	212	301	5,887	6,369	6,235	723
SAUDI ARABIA	0.44%	0.47%	25	56	79	85	117	117	117	117	117	117	167	3,258	3,525	3,451	400
SOUTH AFRICA	0.19%	0.20%	11	24	34	37	51	51	51	51	51	51	73	1,420	1,537	1,504	174
SPAIN	3.00%	3.15%	167	376	535	572	795	795	795	795	795	795	1,128	22,048	23,852	23,353	2,706
SWEDEN	4.35%	4.58%	242	546	776	830	1,154	1,154	1,154	1,154	1,154	1,154	1,637	31,996	34,614	33,889	3,927
SWITZERLAND	2.47%	2.59%	137	309	440	470	654	654	654	654	654	654	927	18,122	19,605	19,195	2,224
UNITED KINGDOM	14.80%	15.55%	821	1,855	2,638	2,822	3,921	3,921	3,921	3,921	3,921	3,921	5,564	108,741	117,639	115,175	13,347
USA	8.30%	8.72%	461	1,041	1,480	1,583	2,200	2,200	2,200	2,200	2,200	2,200	3,121	61,002	65,994	64,612	7,488
Totals	**95.15%**	**100.00%**	**5,282**	**11,928**	**16,962**	**18,149**	**25,216**	**25,216**	**25,216**	**25,216**	**25,216**	**25,216**	**35,779**	**699,258**	**756,477**	**740,632**	**85,829**

Note: *shaded area of the schedule are provisional and as such could be subject to future revisions.*

Table IV-4: ADF-12 grant compensation schedule

Donor	ADF-12		ADF-12 Grant Compensation Schedule (UA thousand)											
	Original	Normalized	2022	2023	2024	2025	2026	2027	2028	2029	203x	204x	205x	206x
ARGENTINA	0.24%	0.26%	6	19	25	29	29	29	29	29	676	861	861	-
AUSTRIA	2.34%	2.54%	59	189	249	281	281	281	281	281	6,618	8,434	8,434	-
BELGIUM	2.06%	2.23%	52	167	219	247	247	247	247	247	5,825	7,423	7,423	-
BRAZIL	0.23%	0.25%	6	19	25	28	28	28	28	28	664	847	847	-
CANADA	5.00%	5.42%	126	405	533	601	601	601	601	601	14,137	18,016	18,016	-
CHINA	2.05%	2.23%	52	166	219	247	247	247	247	247	5,803	7,395	7,395	-
DENMARK	1.89%	2.05%	47	153	201	227	227	227	227	227	5,347	6,814	6,814	-
EGYPT	0.03%	0.03%	1	3	3	4	4	4	4	4	90	115	115	-
FINLAND	2.74%	2.97%	69	222	292	329	329	329	329	329	7,746	9,872	9,872	-
FRANCE	8.71%	9.45%	219	705	928	1,046	1,046	1,046	1,046	1,046	24,629	31,389	31,389	-
GERMANY	9.78%	10.61%	246	792	1,042	1,175	1,175	1,175	1,175	1,175	27,657	35,248	35,248	-
INDIA	0.23%	0.25%	6	19	25	28	28	28	28	28	652	831	831	-
ITALY	4.75%	5.15%	119	385	506	571	571	571	571	571	13,433	17,119	17,119	-
JAPAN	6.71%	7.28%	169	544	715	807	807	807	807	807	18,987	24,198	24,198	-
KOREA	1.32%	1.43%	33	107	140	158	158	158	158	158	3,724	4,746	4,746	-
KUWAIT	0.18%	0.20%	5	15	19	22	22	22	22	22	509	649	649	-
THE NETHERLANDS	4.92%	5.33%	123	398	524	591	591	591	591	591	13,902	17,718	17,718	-
NORWAY	4.40%	4.77%	110	356	468	528	528	528	528	528	12,430	15,842	15,842	-
PORTUGAL	0.72%	0.78%	18	59	77	87	87	87	87	87	2,044	2,605	2,605	-
SAUDI ARABIA	0.48%	0.52%	12	39	51	57	57	57	57	57	1,351	1,722	1,722	-
SOUTH AFRICA	0.25%	0.28%	6	21	27	31	31	31	31	31	721	919	919	-
SPAIN	3.00%	3.25%	75	243	320	360	360	360	360	360	8,483	10,811	10,811	-
SWEDEN	4.35%	4.72%	109	352	464	523	523	523	523	523	12,310	15,689	15,689	-
SWITZERLAND	2.47%	2.68%	62	200	263	296	296	296	296	296	6,972	8,886	8,886	-
UNITED KINGDOM	14.00%	15.19%	351	1,133	1,491	1,681	1,681	1,681	1,681	1,681	39,578	50,440	50,440	-
USA	9.32%	10.11%	234	754	993	1,119	1,119	1,119	1,119	1,119	26,349	33,580	33,580	-
Totals	**92.18%**	**100.00%**	**2,315**	**7,462**	**9,819**	**11,072**	**11,072**	**11,072**	**11,072**	**11,072**	**260,637**	**332,168**	**332.17**	**-**

Notes: shaded area of the schedule are provisional and as such could be subject to future revisions.

Annex V: Consolidated donor grant compensation schedule

ADF-9, 10, 11 and 12 consolidated grant compensation schedule (UA thousand)													
Country	2013	2014	2015	2016	2017	2018	2019	202x	203x	204x	205x	206x	Total
ARGENTINA	-	-	-	-	-	-	-	194	676	861	861	278	**2,870**
AUSTRIA	6	16	45	140	241	309	470	13,264	34,033	37,256	33,571	4,835	**124,188**
BELGIUM	10	26	76	174	268	332	477	12,898	31,928	34,775	30,681	4,270	**115,916**
BRAZIL	2	6	16	20	20	20	30	1,039	2,574	2,863	2,519	433	**9,542**
CANADA	28	72	208	488	763	948	1,311	33,786	81,890	88,776	77,321	10,329	**295,920**
CHINA	10	26	76	178	278	346	497	13,341	32,998	35,890	31,654	4,338	**119,632**
DENMARK	18	48	139	228	294	339	437	11,395	26,313	28,613	24,101	3,449	**95,375**
EGYPT	-	-	-	-	-	-	-	26	90	115	115	37	**383**
FINLAND	9	24	69	163	254	316	478	13,971	35,815	39,391	35,449	5,365	**131,305**
FRANCE	45	117	339	890	1,452	1,831	2,611	67,337	164,956	178,274	156,416	19,978	**594,247**
GERMANY	51	134	387	817	1,221	1,493	2,219	62,201	155,714	169,810	150,842	21,143	**566,033**
INDIA	1	3	8	19	29	37	50	1,289	3,130	3,413	2,974	425	**11,378**
ITALY	26	69	199	451	695	860	1,228	32,649	80,198	87,050	76,462	10,278	**290,168**
JAPAN	54	141	408	847	1,256	1,531	2,050	51,224	120,677	130,139	111,276	14,194	**433,797**
KOREA	4	10	29	69	108	134	195	5,694	14,561	16,111	14,463	2,325	**53,703**
KUWAIT	1	3	8	18	28	35	48	1,236	2,983	3,231	2,806	372	**10,769**
THE NETHERLANDS	23	59	171	408	642	801	1,175	32,063	80,056	87,142	77,304	10,628	**290,472**
NORWAY	22	57	164	384	600	746	1,064	28,392	70,021	76,149	67,040	9,192	**253,829**
PORTUGAL	4	10	30	66	100	124	179	4,836	11,958	13,000	11,464	1,564	**43,335**
SAUDI ARABIA	3	9	25	46	65	77	108	2,925	7,096	7,734	6,735	956	**25,780**
SOUTH AFRICA	1	2	5	13	20	25	38	1,139	2,954	3,268	2,957	471	**10,894**
SPAIN	14	37	106	244	378	469	677	18,448	45,855	49,987	44,209	6,198	**166,624**
SWEDEN	25	64	185	434	678	843	1,161	29,736	71,871	77,868	67,700	8,995	**259,560**
SWITZERLAND	18	48	139	303	460	566	751	18,517	43,532	46,928	40,070	5,095	**156,428**
UNITED KINGDOM	34	88	255	698	1,156	1,466	2,429	74,476	196,552	216,312	197,935	29,640	**721,042**
UNITED STATES OF AMERICA	72	189	547	1,096	1,595	1,932	2,547	63,903	149,948	162,171	138,235	18,335	**540,571**
Total	**481**	**1,259**	**3,637**	**8,194**	**12,604**	**15,582**	**22,231**	**595,979**	**1,468,377**	**1,597,127**	**1,405,160**	**193,125**	**5,323,757**

Note: *shaded area of the schedule are provisional and as such could be subject to future revisions.*

Annex VI: ADF-13 Replenishment scenarios

DONORS	ADF-12		ADF-13							
				LOW SCENARIO		CONSOLIDATION SCENARIO		TRANSFORMATION SCENARIO		
	BURDEN SHARE	SUBSCRIPTION (UA)	BURDEN SHARE	SUBSCRIPTION (UA)	CHANGE VS ADF-12	SUBSCRIPTION (UA)	CHANGE VS ADF-12	SUBSCRIPTION (UA)	CHANGE VS ADF-12
ARGENTINA	0.239%	9,771,350	0.246%	10,439,711	7%	12,815,936	31%	14,105,979	44%
AUSTRIA	2.340%	95,706,248	2.412%	102,252,555	7%	125,526,680	31%	138,162,104	44%
BELGIUM	2.060%	84,241,446	2.123%	90,003,561	7%	110,489,641	31%	121,611,449	44%
BRAZIL	0.235%	9,607,954	0.242%	10,265,138	7%	12,601,628	31%	13,870,099	44%
CANADA	4.999%	204,447,958	5.153%	218,432,198	7%	268,150,449	31%	295,142,278	44%
CHINA	2.052%	83,921,666	2.115%	89,661,908	7%	110,070,224	31%	121,149,813	44%
DENMARK	1.891%	77,325,113	1.949%	82,614,151	7%	101,418,297	31%	111,626,989	44%
EGYPT	0.032%	1,302,847	0.033%	1,391,961	7%	1,708,792	31%	1,880,797	44%
FINLAND	2.739%	112,023,671	2.823%	119,686,090	7%	146,928,333	31%	161,718,032	44%
FRANCE	8.710%	356,198,296	8.977%	380,562,259	7%	467,183,599	31%	514,209,961	44%
GERMANY	9.781%	399,991,166	10.081%	427,350,562	7%	524,621,580	31%	577,429,608	44%
INDIA	0.231%	9,427,031	0.238%	10,071,840	7%	12,364,333	31%	13,608,917	44%
ITALY	4.751%	194,266,873	4.896%	207,554,727	7%	254,797,111	31%	280,444,804	44%
JAPAN	6.715%	274,594,890	6.921%	293,377,180	7%	360,153,966	31%	396,406,803	44%
KOREA	1.317%	53,857,279	1.357%	57,541,116	7%	70,638,286	31%	77,748,685	44%
KUWAIT	0.180%	7,361,325	0.186%	7,864,839	7%	9,654,988	31%	10,626,852	44%
THE NETHERLANDS	4.917%	201,061,742	5.067%	214,814,365	7%	263,709,146	31%	290,253,917	44%
NORWAY	4.396%	179,774,236	4.531%	192,070,794	7%	235,788,817	31%	259,523,148	44%
PORTUGAL	0.723%	29,564,459	0.745%	31,586,667	7%	38,776,239	31%	42,679,427	44%
SAUDI ARABIA	0.478%	19,542,701	0.493%	20,879,422	7%	25,631,873	31%	28,211,958	44%
SOUTH AFRICA	0.255%	10,424,062	0.263%	11,137,068	7%	13,672,022	31%	15,048,238	44%
SPAIN	3.000%	122,681,728	3.092%	131,073,158	7%	160,907,258	31%	177,104,066	44%
SWEDEN	4.354%	178,035,844	4.487%	190,213,496	7%	233,508,772	31%	257,013,595	44%
SWITZERLAND	2.466%	100,838,741	2.541%	107,736,111	7%	132,258,370	31%	145,571,401	44%
UNITED KINGDOM	13.997%	572,397,673	14.426%	611,549,674	7%	750,747,010	31%	826,316,659	44%
UNITED STATES OF AMERICA	9.319%	381,070,169	9.604%	407,135,368	7%	499,805,124	31%	550,115,145	44%
TOTAL DONOR CONTRIBUTIONS (a)	**92.176%**	**3,769,436,466.08**	**95%**	**4,027,265,920.36**	**7%**	**4,943,928,473.93**	**31%**	**5,441,580,725.98**	**44%**
SUPPLEMENTARY CONTRIBUTIONS (b)	0.70%	28,656,968.69							
TECHNICAL GAP (c)	7.123%	291,297,492.36	5%	211,961,364.23	-27%	260,206,761.79	-11%	286,398,985.58	-2%
REPLENISHMENT LEVEL (d) = (a)+(b)+(c)		**4,089,390,927.13**		**4,239,227,284.59**	**4%**	**5,204,135,235.72**	**27%**	**5,727,979,711.56**	**40%**
ADVANCE COMMITMENT CAPACITY (e)		**2,007,340,552.00**		**1,032,344,742.72**	**-49%**	**1,258,597,197.78**	**-37%**	**1,381,197,512.90**	**-31%**
TOTAL RESOURCES - GAP INCLUDED (d)+(e)		6,096,731,479.13		5,271,572,027.30	-14%	6,462,732,433.50	6%	7,109,177,224.46	17%
TOTAL RESOURCES - GAP EXCLUDED (d)+(e)-(c)		**5,805,433,986.77**		**5,059,610,663.07**	**-13%**	**6,202,525,671.71**	**7%**	**6,822,778,238.88**	**18%**

Note : The technical gap is at 5% of the replenishment level

Inflation rate **6.84%**

Annex VII: Technical note on the Advance Commitment Authority (ACA)

Background information on the ACA scheme

The Fund has traditionally used the term “commitment capacity” to denote all ADF resources **immediately available** for new commitments. Based on this definition, the Fund’s commitment capacity at any given point in time did not include projected resources like future loan repayments, cancellations or income and investment income. While this conservative definition eliminated any risk of over-commitment, it became increasingly inefficient because it failed to capitalize on the long-term nature of the Fund’s development activities, and the ability to forecast future cash flows with reasonable degree of certainty.

In 2005, during the Tenth General Replenishment of the African Development Fund (ADF-10), the “Advance Commitment Authority Scheme (ACA)” was adopted[16], recognizing that commitments could be made against highly probable future inflows such as loan cancellations, net profits, transfers from ADB net income and loan repayments. An ACA methodology was therefore implemented to estimate the level of Advance Commitment Capacity (ACC) that could be generated from all future sources[17] other than Donor replenishment contributions while remaining in compliance with its liquidity policy. Under this new scheme, the Fund’s internally generated resources (IGRs) amounted to UA 1.2 billion, UA 2.06 billion and UA 2.00 billion respectively for ADF-10, ADF-11 and ADF-12, compared to UA 645 million for the Ninth General Replenishment of the African Development Fund (ADF-9). The key assumptions underlying the ACC for each replenishment, as well as for ADF-13 are summarized in table VII-1 below.

Change in the Liquidity assumption for the conceptual framework of the ACA Model

The conceptual framework of the ACA scheme assumes a notional separation of commitment capacity into two components: (1) the **commitment capacity attributable to Donor contributions** based on promissory notes; and (2) the **commitment capacity of IGRs** based on reflows. Therefore, commitments attributable to Donor contributions are expected to be covered by the portion of the liquidity coming from the **standard and accelerated encashment** of notes deposited by Donors (Donor’s liquidity), while commitments attributable to the ACA scheme will be covered by the ACA liquidity which is impacted by internally generated cash flows. The **ACA liquidity** corresponds to the liquidity remaining after Donor’s liquidity from both normal and accelerated encashment has been excluded.

Two different approaches are therefore currently taken regarding liquidity risk management:

i. On one hand, the conceptual framework of the ACA model, as implemented in 2005 during ADF-10, distinguishes between ACA liquidity and Donor’s liquidity. However, this framework does not differentiate liquidity from the Trading, HTM, and HTM-ACE portfolios and assumes that treasury assets from all portfolios can be liquidated to meet disbursements requests.

ii. On the other hand, the Fund’s liquidity policy, which is monitored through financial projections, ensures that the various liquidity portfolios are differentiated and that eligible liquidity from the Trading portfolio is maintained above the PML. The financial projection model assumes that the HTM portfolio will not be liquidated to meet disbursements’ requirements as its role is to generate additional investment income and to reduce the Fund’s operational gap.

In order to strengthen the liquidity management framework, it is therefore important to reconcile the assumptions of the ACC model and those of the Financial Projections model. This will enable the Fund to ensure that the ACC level once determined will not result in a breach of the liquidity policy. This major change must be implemented in the determination of the ACC for ADF-13.

Explanation of the leverage effect for the ACC model

The ACC model optimizes the Fund’s commitment capacity by taking advantage of the lag between the moment a commitment is made (a loan or grant is signed) and the time this commitment is actually disbursed. This delay is captured by the disbursement profiles, which are particular for each type of lending instrument. The leverage effect of the ACC is built around the disbursement profile which

16 See Board document on the Advance Commitment Authority Scheme – Ref ADF/BD/WP/2005/18
17 Although commitment capacity from donor resources is either in the form of promissory notes or in liquid resources, commitment capacity from all other sources is usually in the form of liquidity.

enables to take advantage of this lag time between commitments and disbursements to commit additional resources, while waiting for disbursements to actually start impacting cash flows. Through an iterative process, the ACC model computes the optimal advance commitment level which enables the effective disbursement of resources and the maintenance of the liquidity above the prudential minimum level.

Actually, the leverage effect of the ACC is impacted by several factors of which the most important are: (1) the existence of future inflows over a loan disbursement period, (2) the disbursement profile, (3) the timing of inflows and outflows, and (4) the minimum liquidity requirement which acts as a constraint. Because of the complex links among those factors, the relationship between the cash inflow and the related increase of the ACC is non-linear. Meaning that, 1 UA of cash inflow injected in the model will generally result in more than 1 UA increase of the ACC.

Given the Fund's disbursement profile, liquidity profile and liquidity policy, for a constant cash inflow stream over the ACC projection period of 50 years, the leverage effect of ACC model is approximately estimated to 2. This means that for an annual cash inflow of 1 UA over this projection period, the Fund will be able to commit 2 UA of loans. This leverage impact enabled the Fund to double its IGRs between ADF-9 and ADF-10. During ADF-11 and ADF-12, the leverage impact was stretched and IGRs tripled compared to ADF-9, as indicated in Figure 1 (section 2.29) of the document.

Explanation for the impact of loan cancellations on the ACC

Figure VII-1 provides a schematic representation of the revised loan cancellation policy on the ACC. As indicated on this figure, 70% of cancelled amounts remain available for re-allocation to countries whose loans have been cancelled. These resources are re-committed to fund new projects during the current replenishment and will not be included in the general pool of resources available during the subsequent replenishment as it was the case before the policy change. Consequently, only 30% of cancelled commitments are transferred to the general pool of resources and committed during the subsequent replenishment.

As it is the case for cash inflows, the multiplier impact of the ACC will also impact cancelled resources. Therefore, assuming a leverage impact of approximately 2, an annual decrease of cash inflows of UA 70 million will result in an annual decrease of approximately UA 140 million for the ACC for a single year and UA 420 million for a replenishment cycle. However, it should be noted that in addition to the ACC amount, approximately UA 210 million will be retained by the ADF countries cancelling operations and represent resources that these countries can re-commit to new or on-going operations and activities during the new replenishment cycle.

Figure VII-1: Impact of revised loan cancellation policy on ACC

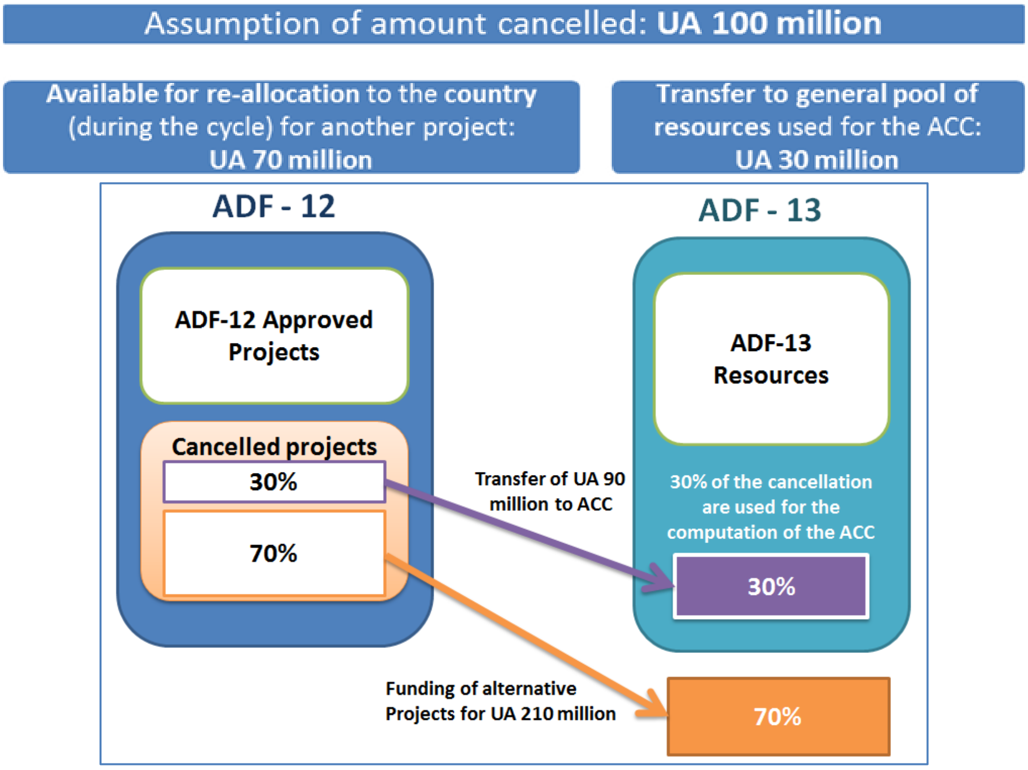


Table VII-1: Summary of key assumptions for the ACC model

Assumptions	Comments	ADF-10	ADF-11	ADF-12	ADF-13
Expected increase in donor contributions for future replenishments	To establish the ACC for the baseline scenario, donor subscriptions for future replenishments are conservatively assumed to remain unchanged in real terms. The nominal amount of donor contributions is estimated to increase by the cumulative rate of inflation (for the special drawing right-SDR) of the previous replenishment period. The same inflation rate is used to project future increases in donor contributions.	0%	7%	4.49%	6.84%
Multilateral Debt Relief Initiative (MDRI) compensation expected to be received	In addition to regular contributions, donors are expected to make additional contributions during future replenishments to cover 100% of MDRI costs for all heavily indebted poor countries (on foregone principal and interests) on a pay-as-you-go basis. Based on historically observed MDRI recovery rate, the model assumes a percentage of contributions for MDRI compensations that will be received in ADF-13 and in future replenishments.	0%	84%	90% (incl. lag of 3%)	98.3% (incl. lag of 7.2%)
Share of grants for the Replenishment	The grant level for each replenishment is determined on the basis of a debt sustainability analysis. Based on the level of grants observed during ADF-12, the share of grants in ADF-13 and future replenishments is assumed.	44%	28.4%	30.65%	33.45%
Upfront compensation for forgone income on grants used to estimate the ACC	A volume discount is deducted from grants extended to ADF countries (20% for ADF-12) and include: 1) An upfront grant charge is deducted from the Grant amount as compensation for forgone service charges and returns to the liquidity pool used to estimate the ACC (14.57% for ADF-12). 2) The remaining discount amount allocated under the Performance Based Allocation (PBA) to ADF-only countries (5.43% for ADF-12). The upfront compensation for ADF-13 will be adjusted when the replenishment discount rate will be fixed.	11.9%	10.12%	14.57%	14.84%
Annual increase in administrative expenses	These expenses are in line with the three-year approved budget program and thereafter are projected to increase annually at the indicated percentage.	3%	3%	3%	3%
Annual transfers from ADB	The model assumes an annual net income transfer from the ADB, in UA millions	10	20	35	35
Repayment Sensitivity Factor	To account for delayed repayments by countries in arrears to the Fund, only a certain percentage of loan repayments flows is expected to be received on an annual basis.	85%	85%	90%	95%
Disbursement Sensitivity Factor	To account for grant compensation and loan cancellations, reductions in disbursement flows are maintained at a certain percentage of signed loans.	93.18%	93.18%	95.18%	93.6%
Investment return rate	The rate of return of the investment portfolio is estimated on the basis of prevailing interest rates	Flat rate: 3.42%	Flat rate: 4.45%	Forward curve averaging 4.5% annually	Forward curve averaging 2.65% annually
Minimum prudential level of annual liquidity	To comply with the Fund's liquidity policy, the level of liquidity is maintained at a percentage of projected disbursements for the following three years.	100%	75%	75%	75%
Effective Loan cancellations returning to the liquidity pool	The model assumes a certain level of annual cancellations in nominal terms, in UA millions. During ADF-12, the loan cancellation policy was modified and only 30% of loan cancellations are re-injected in the liquidity pool while 70% remain allocated to the country. Accordingly, for ADF-13 we assume that only UA 30 million (30% of the gross cancellations of UA 100 million) will return to the liquidity pool used to estimate the ACC.	0	100	100	30
Estimated Advance Commitment Capacity	Level of the Advance Commitment Capacity resulting from the model, in UA millions	1,200	2,063	2,007	1,032

Annex VIII: Using the revised AHIDI to differentiate among ADF-only Countries

The revised AHIDI is a composite index of the Human Development Index (HDI) of the United Nations Development Programme (UNDP) and the African Infrastructure Development Index (AIDI). The HDI is a composite measure of health, education and income and the AIDI has 4 components[18]: transport, electricity, Information and Communication Technology (ICT) and Water and Sanitation.

General Working Assumptions

The analysis assumes that the criteria for classifying countries as ADF-only (Category A, including gap), blend (Category B) and ADB-only (Category C) will not change; it also assumes that the differentiation of ADF lending terms between ADF-only and blend/gap/graduating countries will remain. The analysis in this annex therefore refers to the 36[19] ADF-only countries excluding gap countries. Finally, the current criterion for defining the financial mix of grants and loans in countries' ADF allocations is also assumed to remain unchanged: the IMF/WB Debt Sustainability Framework (DSF) traffic light classification.

Groups

The two groups of ADF-only countries would be determined in December of each year, applying the AHIDI of the previous year (or latest available). Countries that score above the cutoff[20] are included in the high group, while those scoring below average are included in the low group.

Transition between groups

The transition between ADF-only groups would follow the same principles currently being applied to the transition between ADF-Only and Gap/Blend. Transition from the low group to the high group, i.e. application of the harder lending terms, would occur after more than two consecutive years of scoring above the average. This would allow for proper planning and prevent sudden movements in ADF lending terms. Reverse transition (i.e. from high to low) would occur immediately. As it is the case today, new lending terms will be applied only to new ADF loans.

Debt sustainability

Harder loan terms would apply only to ADF-only countries in the "high" group eligible for loans, i.e. "green" or "yellow" in the DSF classification (moderate or low risk of debt distress according to the IMF/World Bank Debt Sustainability Framework), with the exclusion of FSF Pillar I-eligible fragile states to which only the most concessional ("Regular") terms would apply.

Treatment of Fragile States

Fragile states eligible for FSF Pillar I, regardless of their income or human and infrastructure development would not be subject to 'Advance" lending terms, but only to the more concessional terms for ADF-only countries ("Regular").

The following table summarizes the criteria just described:

[18] Annex VI of the ADF-13 Resource Allocation Framework paper contains a detailed explanation of the AIDI components; its indicators and how the index components are normalized (adjust values originally measured on different scales and bring them to a common scale). Same methodology has been applied to combine the AIDI and the HDI.

[19] South Sudan has been excluded for this exercise due to the lack of data

[20] Cutoff will be determined by the last 3 years moving average.

Table VIII-1: Proposed Framework for differentiation of lending terms for ADF-only countries

		Debt distress risk ("traffic light" system)	
		Red	Green or yellow
AHIDI above average	Yes	Red light countries eligible for grants only	Advanced countries eligible for new ADF hardened terms (with the exception of FSF Pillar I-eligible Fragile States)
	No	Red light countries eligible for grants only	Countries eligible for regular ADF terms

Resulting groups

Table VIII-2 shows the resulting grouping of applying the revised AHIDI using data from 2008 to 2010. The average score on the AHIDI for this period is 0.467, and 17 countries are above the average (in the high group, although 5 of them are classified as "red" with high risk of debt distress and one as fragile state) while 19 are below (in the low group).

Harder loan terms would apply only to "high" ADF-only countries eligible for loans, "green" or "yellow" in the DSF classification. Currently 26 (for the 2013 country allocations) ADF-only countries receive either 50% or 100% of their PBA in the form of loans (exhibit low or moderate risk of debt distress). In this group, 12 countries are in the higher AHIDI group and the other 14 in the lower AHIDI group. The countries in this higher group with the exception of Cote d'Ivoire (eligible for FSF Pillar I) concentrate almost 40% of the PBA envelope and 45% of all loans provided to ADF-only countries in 2013, (table VIII-3).

Table VIII-2 Resulting ADF-only countries' grouping from applying the AHIDI index

Country	Revised Human and Infrastructure Development Index score	Group	DSF status 2012	Grant/Loan Mix
Sao Tome & Principe	0.83	high	Red	Grants Only
Ghana	0.76	high	Yellow	50% Loans on "Advance" terms, 50% Grants
Gambia	0.75	high	Red	Grants Only
Djibouti	0.70	high	Red	Grants Only
Senegal	0.69	high	Green	100% Loans on "Advance" terms
Comoros*	0.66	high	Red	Grants Only
Zimbabwe*	0.64	high	Red	Grants Only
Kenya	0.63	high	Green	100% Loans on "Advance" terms
Zambia	0.62	high	Green	100% Loans on "Advance" terms
Cameroon	0.62	high	Green	100% Loans on "Advance" terms
Rwanda	0.58	high	Yellow	50% Loans on "Advance" terms, 50% Grants
Uganda	0.58	high	Green	100% Loans on "Advance" terms
Cote d'Ivoire*	0.57	high	Yellow	50% Loans on "Advance" terms, 50% Grants
Lesotho	0.54	high	Yellow	50% Loans on "Advance" terms, 50% Grants
Malawi	0.51	high	Yellow	50% Loans on "Advance" terms, 50% Grants

Mauritania	0.49	high	Yellow	50% Loans on “Advance” terms, 50% Grants
Benin	0.47	high	Green	100% Loans on “Regular” terms
Togo*	0.44	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Sudan*	0.43	low	Red	Grants Only
Tanzania	0.41	low	Green	100% Loans on “Regular” terms
Burundi*	0.41	low	Red	Grants Only
Burkina Faso	0.40	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Madagascar	0.39	low	Green	100% Loans on “Regular” terms
Guinea	0.37	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Guinea-Bissau*	0.34	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Liberia*	0.34	low	Green	100% Loans on “Regular” terms
Central African Republic*	0.31	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Mali	0.29	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Mozambique	0.27	low	Green	100% Loans on “Regular” terms
Eritrea**	0.25	low	Red	Grants Only
Sierra Leone	0.24	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Ethiopia	0.23	low	Green	100% Loans on “Regular” terms
Chad	0.19	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Congo DRC*	0.17	low	Red	Grants Only
Niger	0.13	low	Yellow	50% Loans on “Regular” terms, 50% Grants
Somalia		low	Red	Grants Only

* *Countries benefiting from Pillar I of the ADF’s Fragile States Facility;**Data for 2009 (since no data available for HDI 2010)*

Table VIII-3: Resulting ADF-only Group allocations from applying the AHIDI index

Group	% of 2013 PBA envelope	% of 2013 PBA loans
High	40%	45%
Low (including red and FSF Pillar I)	60%	55%
Total	100%	100%

Revised AHIDI Back-testing

The following table presents the groups resulting of applying the criteria described in the above section starting from 2007 (using 2005, 2006 and 2007 data) until 2010, and it illustrates quite well the consistency of the resulting grouping along the different years of testing.

Table VIII-4: Back-testing of applicable lending terms based on revised AHIDI.

Country	Grouping			
	2007	2008	2009	2010
Sao Tome & Principe	high	high	high	high
Ghana	high	high	high	high
Gambia	high	high	high	high
Djibouti	high	high	high	high
Senegal	high	high	high	high
Comoros	high	high	high	high
Zimbabwe	high	high	high	high
Kenya	Low	high	high	high
Zambia	high	high	high	high
Cameroon	high	high	high	high
Rwanda	high	high	high	high
Uganda	Low	Low	high	high
Cote d'Ivoire	high	high	high	high
Congo, Rep. Of	high	high	high	high
Lesotho	high	high	high	high
Malawi	Low	Low	Low	high
Mauritania	Low	Low	Low	high
Benin (1)	Low	Low	Low	Low
Togo	Low	Low	Low	Low
Sudan	Low	Low	Low	Low
Tanzania	Low	Low	Low	Low
Burundi	Low	Low	Low	Low
Burkina Faso	Low	Low	Low	Low
Madagascar	Low	Low	Low	Low
Guinea	Low	Low	Low	Low
Guinea-Bissau	Low	Low	Low	Low
Liberia	Low	Low	Low	Low
Central African Republic	Low	Low	Low	Low
Mali	Low	Low	Low	Low
Mozambique	Low	Low	Low	Low
Eritrea	Low	Low	Low	Low
Sierra Leone	Low	Low	Low	Low
Ethiopia	Low	Low	Low	Low
Chad	Low	Low	Low	Low
Congo DRC	Low	Low	Low	Low
Niger	Low	Low	Low	Low
Somalia	Low	Low	Low	Low

(1) Benin is in the high group because its 3 year moving average is above the cutoff (criteria used for illustrative purposes). The back test checks if during the last 3 years the country's AHIDI has been above the cutoff. (2)This exercise only considers the AHIDI and not the effect of changes in DSF classification or Fragile States eligibility.

Annex IX: Comparative Analysis of the concessional windows of Multilateral Development Banks (MDBs)

Table IX-1: Comparative lending terms of MDBs—Current lending terms

	Product Type	Maturity	Grace Period	Service Charge (%)	Commitment Charge (Bp)	Interest Charge	Conces-sionality	# Of Blend
IDA	Regular	40	10	0.75	0 – 50	0	62%	25 out of 81
	Blend	25	5	0.75	0 – 50	1.25%	35%	
AsDF	Regular and blend	32 for project loan;	8	0	0	1% during grace period	Between 43% and 49%	15 out of 28
		and 24 for program loans%	8	0	0	1.5% during amortization period		
ADF	Regular	50	10	0.75	50	0	66%	3 out of 40
	Gap, blend and graduating	30	8	0.75	50	1%	41%	

Table IX-2: Comparative lending terms of MDBs—Future lending terms

	Product Type	Maturity	Grace Period	Service Charge (%)	Commitment Charge (Bp)	Interest Charge	Conces-sionality	# Of Blend
IDA-17	Regular	35	5	0.75	0 – 50	0	51%	25 out of 81
	Blend	25	5	0.75	0 – 50	1.25%	35%	
AsDF-XI	Regular and blend	25 for project loan;	5	0	0	2%	31%	15 out of 28
		and 25 for program loans%	5	0	0	2%		
ADF-13	Regular	40	10	0.75	50	0	61%	3 out of 40
	Advance	40	5	0.75	50	0	51%	
	Gap, blend and graduating	30	5	0.75	50	1%	41%	