

Document: EB 2017/120/R.16
Agenda: 10(c)
Date: 27 February 2017
Distribution: Public
Original: English

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Investing in rural people

Requirements for the thirty-eighth drawdown of Member State contributions in 2017

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Executive Board — 120th Session
Rome, 10-11 April 2017

For: Approval

Recommendation for approval

The Executive Board is invited to consider the requirements for the thirty-eighth drawdown of Member State contributions, to take place in 2017, and adopt the following decision: The Executive Board, in accordance with article 4, section 5(c), of the Agreement Establishing IFAD and regulation V of the Financial Regulations of IFAD, approves the drawdown of 35 per cent of the Tenth Replenishment contributions in April 2017, or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2017. Any further funds required for disbursement needs in 2017 not covered by the drawdown of these contributions will be met from the liquid assets of the Fund. The Executive Board authorizes the President to proceed accordingly.

Requirements for the thirty-eighth drawdown of Member State contributions in 2017

1. This document proposes a level of drawdown of Member State contributions for 2017 based on estimates of loan and grant disbursements for 2017.
2. Article 4, section 5(c) of the Agreement Establishing IFAD outlines the provisions to be applied regarding drawdowns. At its seventy-first session (December 2000), the Executive Board adopted a policy of 100 per cent drawdown of Member State contributions for disbursement requirements. Member States are allowed to enter into separate arrangements for individual encashment schedules of drawdown calls. The drawdown policy was based on the premise that these individual arrangements should not adversely affect the operational needs of the Fund and would remain in force until changed within the context of a replenishment, if so required, or until such time as callable resources are depleted.
3. The drawdown (liquidity) necessary to meet 100 per cent of projected loan and grant disbursements for 2017 is estimated at US\$673.1 million. As per normal practice, this liquidity requirement will be met by using the Fund's existing liquid assets, the encashment of contributions, investment income and loan reflows. The 2017 drawdown currently requested reflects the second instalment due for unqualified contributions under the Tenth Replenishment of IFAD's Resources (IFAD10) resolution. Based on the level of instruments of contribution received and payments received at the end of December 2016, the drawdown would correspond to an amount of approximately US\$317.0 million. It should be noted that the above balances are in line with the projections contained in document EB 2016/119/R.19 "Resources available for commitment" presented to the Executive Board at its 119th session in December 2016 (for ease reference some details are provided in annex II). These figures will change as Member States make payments during the course of 2017. The difference between projected disbursement needs and the funds available as a result of this drawdown will have to be covered by using other funding sources, as cited above.
4. A list of Member States that have not paid calls against previous replenishments is reported in the 2016 consolidated financial statements of IFAD (EB 2017/120/R.16). The Fund will make every effort to secure encashment of promissory notes and/or secure cash payments, as appropriate. In accordance with the procedure for the calculation of drawdowns of Member State contributions approved by the Executive Board at its fifty-fifth session (September 1995), no increase will be made in the drawdown call to cover anticipated non-payment of drawdown calls.
5. Information on the approved drawdowns for IFAD10 and those forecast for the IFAD10 are provided in annex I. The annex also includes an estimate of future disbursements and expected drawdowns based on the current level of pledges for the IFAD10.

Estimate of future drawdowns as at 31 December 2016

(Millions of United States dollars)

	<i>2016 actual</i>	<i>2017 forecast</i>	<i>2018 forecast</i>
Percentage drawdown in year			
Tenth Replenishment	30%	35%	35%
Cumulative percentages drawn down to year-end			
Tenth Replenishment	30%	65%	100%
Based on:			
A. Projected disbursements ^a	728.5	699.0	713.0
B. Actual disbursements	702.6	-	
C. Difference (B - A)	(25.9)	-	-
D. 100% disbursement requirements (A - C of prior year)	634.1 ^b	673.1 ^c	713.0
Current value of Member State contributions			
Tenth Replenishment			
Pledges received as at 31 December ^d	-	1 129.7	-
Instruments of contribution received as at 31 December ^d	-	905.7	-
Payments received as at 31 December ^d	-	514.4	-
Amount called (drawdown) ^e	-	317.0	-

^a These estimates are based on exchange rates prevailing at 31 December 2016. Projected disbursements take into account the normal disbursement pattern of the loan and grant portfolio.

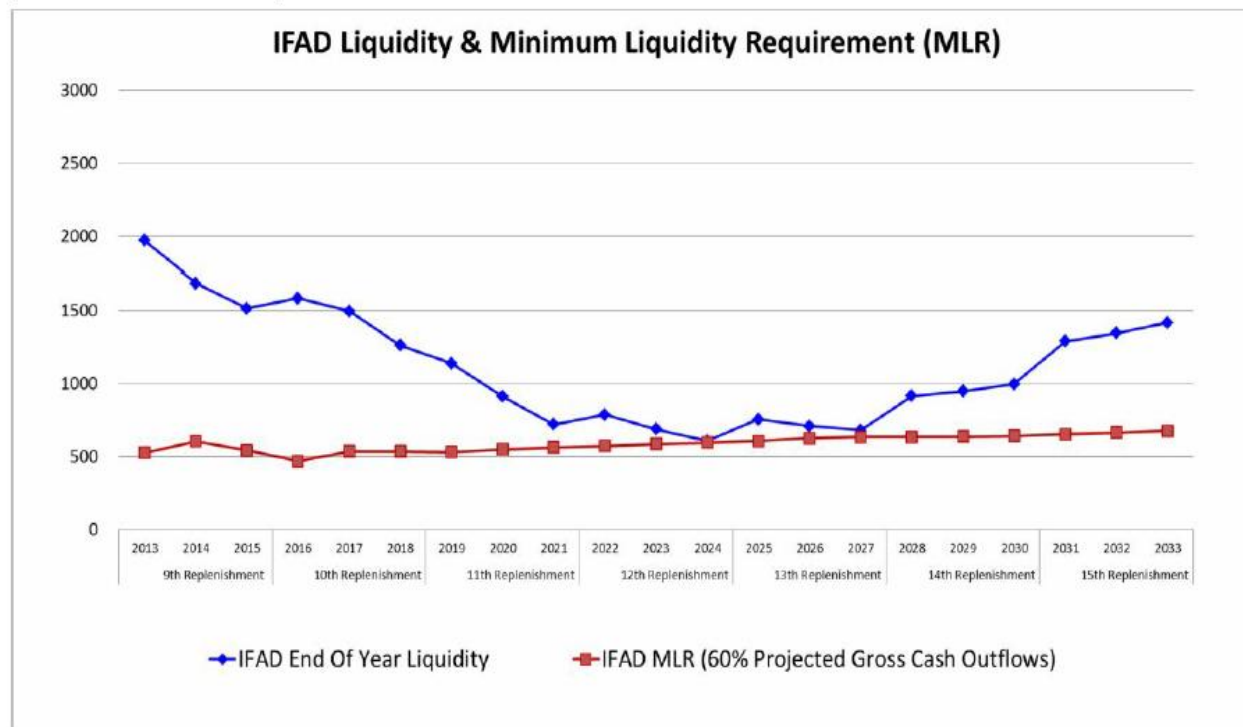
^b This amount includes the excess from 2015 of US\$94.4 million.

^c This amount includes the excess from 2016 of US\$25.9 million.

^d The Tenth Replenishment pledges and instruments of contribution refer to balances including complementary contributions.

^e Calculated as: 35 per cent of instruments of contribution received as at 31 December.

Chart 1
IFAD cash flows and liquidity
 (Millions of United States dollars)



* The key assumptions driving these figures are: a loan disbursement profile of 14 years; average loan reduction rate of 12 per cent; administrative expenses growing at 2.0 per cent during IFAD10 and subsequently at inflation; investment portfolio rate of return of 2.67 per cent in 2016, 2017 and 2018, 0.25 per cent in 2019, then 0.5 per cent from 2020 onwards; encashment profile of Members' replenishment contributions based on the IFAD8 trend; and inflation at 1.9 per cent per annum. IFAD10 contributions are assumed to be US\$1.126 billion, which is the actual level of contribution for IFAD10 as of 31 December 2015. Subsequent replenishment amounts and levels of PoLG are assumed flat in real terms.