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Investing in rural people

Requirements for the thirty-ninth drawdown of Member State contributions in 2018

Note to Executive Board representatives

Focal points:

Technical questions:

Advit Nath
Director and Controller
Accounting and Controller's Division
Tel.: +39 06 5459 2829
e-mail: a.nath@ifad.org

Allegra Saitto
Chief
Financial Reporting and Corporate Fiduciary
Tel.: +39 06 5459 2405
e-mail: a.saitto@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Senior Governing Bodies Officer
Governing Bodies
Tel.: +39 06 5459 2092
e-mail: gb@ifad.org

Executive Board — 123rd Session
Rome, 16-17 April 2018

For: Approval

Recommendation for approval

The Executive Board is invited to consider the requirements for the thirty-ninth drawdown of Member State contributions, to take place in 2018, 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 the remaining balance of the Tenth Replenishment contributions in March 2018, or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2018. Any further funds required for disbursement needs in 2018 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-ninth drawdown of Member State contributions in 2018

1. This document proposes a level of drawdown of Member State contributions for 2018 based on estimates of loan and grant disbursements for 2018.
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 2018 is estimated at US\$719.0 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 2018 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 2017, the drawdown would correspond to an amount of approximately US\$192 million. It should be noted that the above balances are in line with the projections contained in document EB 2017/122/R.5 "Resources available for commitment" presented to the Executive Board at its 122nd session in December 2017 (for ease reference some details are provided in annex II below). These figures will change as Member States make payments during the course of 2018. 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 2017 consolidated financial statements of IFAD (EB 2018/123/R.20). 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 2017

(Millions of United States dollars)

	<i>2017 actual</i>	<i>2018 forecast</i>	<i>2019 forecast</i>
Percentage drawdown in year			
IFAD10	35%	35%	-
IFAD11	-	-	30%
Cumulative percentages drawn down to year-end			
IFAD10	65%	100%	-
IFAD11	-	-	30%
Based on:			
A. Projected disbursements ^a	699.0	719.0	778.0
B. Actual disbursements	804.6	-	-
C. Difference (B - A)	(105.6) ^b	-	-

Current value of Member State contributions

IFAD10			
Pledges received as at 31 December ^c	-	1 100.7	-
Instruments of contribution received as at 31 December ^c	-	1 051.9	-
Payments received as at 31 December ^c	-	860.0	-
Amount 2018 (drawdown) ^d	-	191.9	-

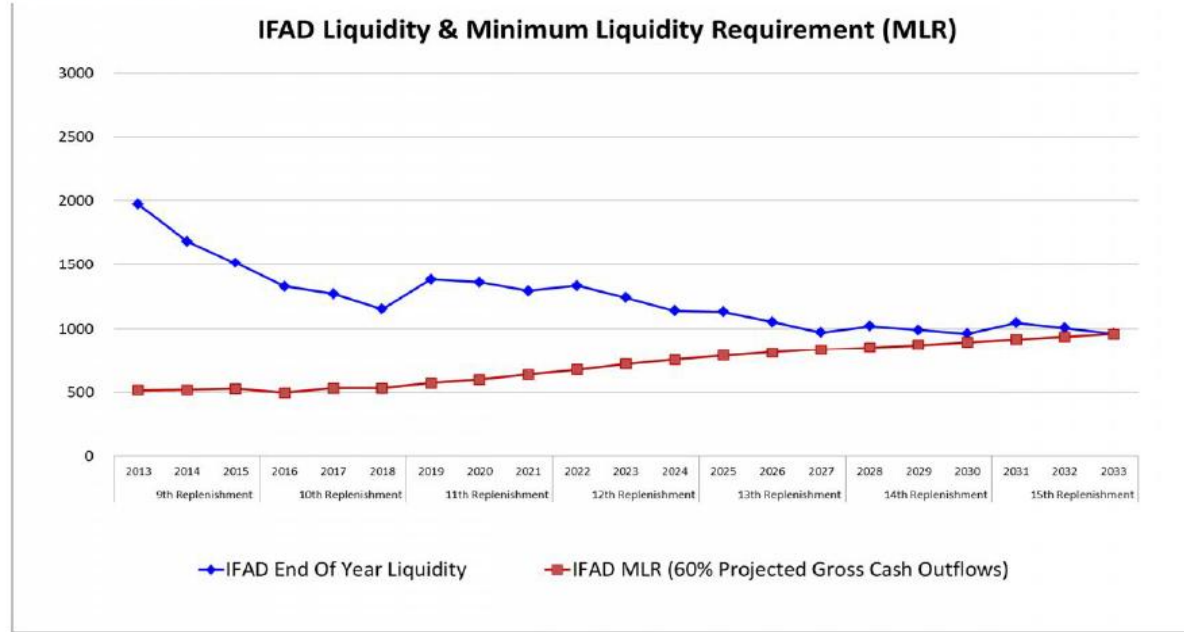
^a These estimates are based on exchange rates prevailing at 31 December 2017. Projected disbursements take into account the normal disbursement pattern of the loan and grant portfolio.

^b This figure is due to higher disbursements in the loan denomination currencies and foreign exchange impact.

^c The IFAD10 pledges and instruments of contribution refer to balances including complementary contributions.

^d Calculated as: Remaining balance 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 15 years; administrative expenses growing at 2.0 per cent during in 2017, 5.96 per cent in 2018 and subsequently at inflation; an investment portfolio rate of return of 1.51 per cent in 2017, 0.79 per cent in 2018, 0.50 per cent in 2019, 0.50 per cent in 2020 and then 0.75 per cent from 2021 onward; an encashment profile of Members' replenishment contributions over 6 years, based on the historical trend; and inflation at 2 per cent per annum. IFAD10 contributions are assumed to be US\$1,129 billion, which is the target level of contribution for IFAD10. Subsequent replenishment amounts and levels of PoLG are assumed flat in real terms.