Review of IFAD’s Debt Sustainability Framework and Proposal on Future Approach

Addendum

Note to Executive Board representatives

Focal points:

Technical questions:

Alvaro Lario
Associate Vice President, Financial Operation Department
Tel.: +39 06 5459 2403
e-mail: a.lario@ifad.org

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

Allegra Saitto
Chief
Tel.: +39 06 5459 2405
e-mail: a.saitto@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Chief
Governing Bodies
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

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For: Review
Review of IFAD’s Debt Sustainability Framework and Proposal on Future Approach

Addendum

1. In response to the request of representatives of the Executive Board at the informal seminar held in October 2018, Management is providing additional information on the main assumptions underlying the Debt Sustainability Framework (DSF) scenarios.

2. It should be noted that the DSF scenarios are derived from the assumptions adopted by the Consultation on the Eleventh Replenishment of IFAD’s Resources (IFAD11).

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Description</th>
<th>Latest update</th>
<th>Date of last update in the model</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFAD11 programme of loans and grants (PoLG)</td>
<td>US$3.5 billion</td>
<td>IFAD11 Consultation</td>
<td></td>
</tr>
<tr>
<td>IFAD11 contributions</td>
<td>US$1.2 billion</td>
<td>IFAD11 Consultation</td>
<td></td>
</tr>
<tr>
<td>PoLG and growth in contributions</td>
<td>At inflation rate of 2.06%</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>DSF allocation percentage in the base scenario</td>
<td>As per 2018 performance-based allocation system allocation: 26% (for IFAD11 and subsequent replenishments)</td>
<td>Post-IFAD11 consultation, April 2018</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>DSF disbursement profile</td>
<td>Over 10 years:* 83.6% (16.4% cancellation factor)</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>DSF refund profile</td>
<td>As per terms of highly concessional loans (only principal)</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>DSF refund percentage</td>
<td>Scenario-specific: base case 100%, historical average 68%</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>Investment return</td>
<td>Weighted average of Euribor and pound sterling, United States dollar, Japanese yen and Chinese yuan LIBOR rates adjusted by a conservative -20 basis points factor. Weights are the current currency composition of the net asset value of the portfolio.</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
<tr>
<td>Borrowing</td>
<td>The Agence Française de Développement loan has been fully drawn through the available draw down window in four tranches of EUR 50 million each. Additional borrowing for IFAD11 reflects the approved scenario of the IFAD11 Consultation (total of US$430 million, of which 50% on sovereign borrowing terms and 50% on concessional partner loan terms. The CPL borrowing is split into 25% with a 25-year maturity and 25% with a 40-year maturity). The CPL from India of US$20 million and the CPL from France of Eur 50 million were integrated in the borrowing envelope for IFAD11. It is assumed that all borrowing will be refinanced and stay flat in nominal terms.</td>
<td>Annual model update</td>
<td>31/12/2017</td>
</tr>
</tbody>
</table>

* Year 1, 0.6%; year 2, 7.0%; year 3, 10.5%; year 4, 13.9%; year 5, 16.4%; year 6, 14.2%; year 7, 9.6%; year 8, 7.6%; year 9, 3.2%; year 10, 0.6%.