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Investing in rural people

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

Addendum

Note to Executive Board representatives

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Executive Board — 125th Session
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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).

Assumption	*Description*	*Latest update*	*Date of last update in the model*
IFAD11 programme of loans and grants (PoLG)	US$3.5 billion	IFAD11 Consultation	
IFAD11 contributions	US$1.2 billion	IFAD11 Consultation	
PoLG and growth in contributions	At inflation rate of 2.06%	Annual model update	31/12/2017
DSF allocation percentage in the base scenario	As per 2018 performance-based allocation system allocation: 26% (for IFAD11 and subsequent replenishments)	Post-IFAD11 consultation, April 2018	31/12/2017
DSF disbursement profile	Over 10 years:* 83.6% (16.4% cancellation factor)	Annual model update	31/12/2017
DSF refund profile	As per terms of highly concessional loans (only principal)	Annual model update	31/12/2017
DSF refund percentage	Scenario-specific: base case 100%, historical average 68%	Annual model update	31/12/2017
Investment return	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.	Annual model update	31/12/2017
Borrowing	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.	Annual model update	31/12/2017

* 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%.