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Investing in rural people

Requirements for the Fortieth Drawdown of Member State Contributions in 2019

Note to Executive Board representatives

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Executive Board — 126th Session
Rome, 2-3 May 2019

For: Approval

Recommendation for approval

The Executive Board is invited to consider the requirements for the fortieth drawdown of Member State contributions, to take place in 2019, 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 first drawdown of IFAD11 contributions in May 2019, or as may be stipulated in agreements with individual Member States, to meet loan and grant disbursements for 2019. Any further funds required for disbursement needs in 2019 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 Fortieth Drawdown of Member State Contributions in 2019

1. This document proposes a level of drawdown of Member State contributions for 2019 based on estimates of loan and grant disbursements for 2019.
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 2019 is estimated at US\$708 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 2019 drawdown currently requested reflects the first instalment due for unqualified contributions under the Eleventh Replenishment of IFAD's Resources (IFAD11). Based on the level of instruments of contribution received and payments received at the end of December 2018, the drawdown would correspond to an amount of approximately US\$218.6 million. It should be noted that the above balances are in line with the projections contained in document EB 2018/125/R.42/Rev.1, Resources Available for Commitment, presented to the Executive Board at its 125th session in December 2018 (for ease reference some details are provided in annex II). These figures will change as Member States make payments during the course of 2019. The difference between projected disbursement needs and the funds available as a result of this drawdown will be covered by using other funding sources, as cited above.
4. A list of Member States that have not paid previous replenishment commitments is provided in the Consolidated Financial Statements of IFAD as at 31 December 2018 (see EB 2019/126/R.24). 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 estimated future disbursements and expected drawdowns based on the current level of pledges for IFAD11 is provided in annex I.

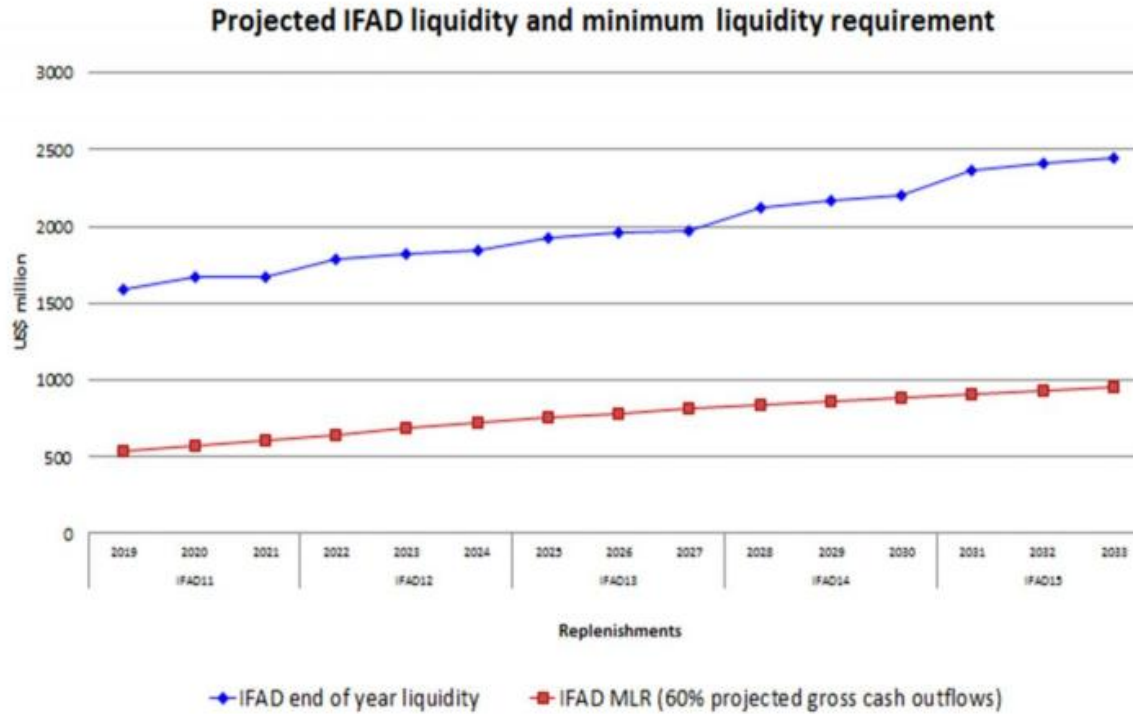
Estimate of future drawdowns as at 31 December 2018

(Millions of United States dollars)

	<i>2019 forecast</i>	<i>2020 forecast</i>
Percentage drawdown in year		
IFAD11	30%	35%
Cumulative percentages drawn down to year-end		
IFAD11	30%	65%
Based on:		
A. Projected disbursements *	708	769
B. Actual disbursements	-	-
C. Difference (B - A)	-	-
Current value of Member State contributions		
IFAD11		
Pledges received as at 31 December 2018	965.4	-
Instruments of contribution received as at 31 December 2018	798.2	-
Payments received as at 31 December 2018	69.7	-
Amount 2019 (drawdown)	218.6	-

* These estimates are based on exchange rates prevailing at 31 December 2018. Projected disbursements take into account the normal disbursement pattern of the loan and grant portfolio.

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



Note: The key assumptions driving these figures are: a loan disbursement profile of 15 years; administrative expenses up 4.1 per cent in 2018 and subsequently at inflation; an investment portfolio rate of return equal to the weighted average of LIBOR (in pound sterling, United States dollars, Japanese yen and Chinese yuan) and EURIBOR forward curve reference rates adjusted by a conservative -20 basis points factor. Weights are: the current currency composition of the net asset value of the investment portfolio; an encashment profile of Members' replenishment contributions over 6 years, based on the historical trend; and inflation at 2.06 per cent per annum. IFAD10 contributions are assumed to be US\$1.1 billion, which is the pledged level of contributions for IFAD10; and IFAD11 contributions are assumed to be US\$1.2 billion, which is the target level of contributions for IFAD11. Subsequent replenishment amounts and levels of PoLG are assumed to be flat in real terms.