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High-level Review of IFAD's Financial Statements for 2019

Note to Executive Board representatives

Focal points:

Technical questions:

Alvaro Lario
Associate Vice-President
Chief Financial Officer and Chief Controller
Financial Operations 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, Financial Reporting and Corporate Fiduciary
Tel.: +39 06 5459 2405
e-mail: a.saitto@ifad.org

Teresa Tirabassi
Senior Finance Officer
Tel.: +39 06 5459 2148
e-mail: t.tirabassi@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

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For: **Information**

High-level Review of IFAD's Financial Statements for 2019

I. Introduction

1. This document provides additional information on IFAD's Consolidated Financial Statements. It should be noted that the analysis contained herein pertains to IFAD's core business as reflected in the IFAD-only financial statements.

II. External financial environment

2. Financial markets remained volatile in 2019 with a prevailing negative interest rate in the euro area. However, IFAD's overall investment portfolio had a positive net rate of return of 2.13 per cent (compared to 0.09 per cent in 2018).
3. During fiscal year 2019, exchange rates remained volatile but were relatively stable at year-end:
 - The US\$:SDR exchange rate decreased marginally, from 1.390 at the end of 2018 to 1.386 at the end of 2019.
 - The US\$:EUR exchange rate decreased from 1.143 at the end of 2018 to 1.122 at the end of 2019.
 - The 2019 results registered a negative unrealized exchange loss of US\$21.8 million compared to US\$150.5 million in 2018.

III. Adoption of International Financial Reporting Standard 16: Leases (IFRS 16)

4. IFAD adopted IFRS 16: Leases as of 1 January 2019. IFRS 16 is applicable to contracts previously identified as operating leases and accounted for as operating expenses. Following the adoption of IFRS 16, IFAD, as lessee of property and equipment, recognizes lease liabilities and related right-of-use assets.
5. Lease liabilities are measured at the present value of the remaining lease payments, discounted at IFAD's average cost of funding.
6. Right-of-use assets are measured at cost (amounts to be paid as leases) and are depreciated over the lease contract period.
7. In line with IFRS 16 requirements, IFAD did not recognize right-of-use assets and liabilities for short-term leases (less than 12 months) and low-value leases (lower than US\$5,000).
8. On transition to IFRS 16 and on initial recognition, right-of-use assets and lease liabilities are recognized for the same amount. The table below provides a summary of the impact of IFRS 16.

Table 1
Summary of IFRS16 impacts
Millions of United States dollars

	1 Jan 2019	Increase/ (decrease)	Exchange rate movements	31 Dec 2019
Cost				
Right-of-use assets	109.2		(2.0)	107.2
Depreciation				
Right-of-use assets	-	(8.6)	-	(8.6)
Net right-of-use assets	109.2	(8.6)	(2.0)	98.6
Lease liabilities	(109.2)	10.6		(98.6)

IV. Financial results (IFAD-only)

Key figures and ratios

9. Given that 2019 was the first year of the Eleventh Replenishment of IFAD's Resources (IFAD11: 2019-2021), operations were aligned with IFAD11 scenarios.
10. IFAD's total assets (in fair value terms) amounted to US\$8.1 billion at the end of 2019 (2018: US\$8.0 billion). IFAD received additional instruments of contribution for IFAD11, resulting in US\$9.1 billion in equity at the end of 2019 (2018: US\$8.9 billion).
11. Total net loans outstanding (in fair value terms) increased to US\$6.3 billion at the end of 2019 from US\$5.9 billion in 2018. This movement was the result of the net effect of additional disbursements and loan repayments, negative exchange rate movements and movement in the of loan impairment allowance.
12. As at 31 December 2019, all financial risk parameters were within the thresholds established by the Sovereign Borrowing Framework adopted in 2015. The financial ratios are summarized in table 2 below.

Table 2

Financial ratios as at December 2019, 2018, 2017, 2016 and 2015

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Threshold
Equity/total assets	97.5	97.3	93.0	97.3	93.5	>60 ^a
Debt/equity	8.1	6.3	5.8	3.3	2.0	<35 ^b
Liquidity/assets	10.7	11.2	15.1	15.9	17.8	>5 ^b
Liquidity/MLR ^c	153%	202%	253%	228%	223%	
Debt service coverage	1.2	0.2	0.2	0.1	0.1	<50 ^b

^a Threshold established in the framework agreement with KfW Development Bank.

^b Established in the Sovereign Borrowing Framework in nominal terms.

^c Minimum liquidity requirement (60 per cent of projected annual gross disbursement level including additional requirements due to liquidity shocks).

13. Under the current financial mechanism (inclusive of borrowing), and despite negative retained earnings, IFAD's net equity is positive. At the end of 2019, total equity (contributions plus General Reserve) represented 86.5 per cent of total assets in nominal terms. It should be noted that at the end of 2019, IFAD's total assets (US\$8.1 billion at fair value) were sufficient relative to total liabilities (US\$1.3 billion), undisbursed loan commitments (US\$4.5 billion) and undisbursed Debt Sustainability Framework (DSF) commitments (US\$1.1 billion).

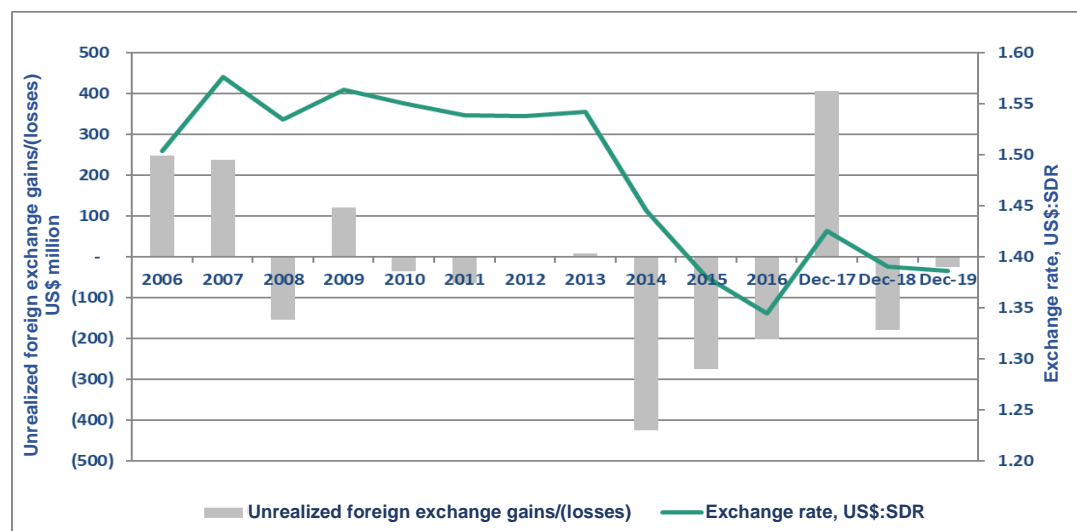
Risk management

14. **Term risks** are the financial risks that arise when the timing and financial maturity of cash flows (i.e. principal and interest) from assets do not match those of their funding liabilities. Funding, refinancing and reinvestment risks are three of the most typical term-structure risks. IFAD has no significant exposure to term risks since it is mostly funded by equity (i.e. contributions and reserves), which by definition does not entail specific interest or principal payments.
15. **Liquidity risk.** The Fund's liquidity position remained within policy thresholds, with liquid assets representing about 150 per cent of the minimum liquidity requirement. Liquidity at the end of 2019 represented 10.7 per cent of total assets.
16. Risks and performance associated with IFAD's investment portfolio are detailed in the disclosure notes to the financial statements (see appendix D) and in the Report on IFAD's Investment Portfolio for 2019, which was submitted to the Audit Committee and Executive Board.

17. **Interest rate risk.** The introduction of borrowing activities has also generated interest rate risk.¹ This risk is currently mitigated by ensuring that the lending terms of IFAD's financial liabilities are matched against the terms of on-lent funds, while ensuring the performance-based allocation system allocation.²
18. **Currency risk.** IFAD conducts its operations in various currencies: the bulk of its assets are denominated in special drawing rights (SDR),³ while for reporting purposes its accounting records are maintained in United States dollars. Fluctuations in the US\$:SDR exchange rate create volatility in IFAD's accounts.
19. IFAD's currency risk is mitigated by ensuring that commitments for undisbursed loans and grants (mainly denominated in SDR) are supported by assets denominated in the SDR basket of currencies. Foreign exchange movements are always anticipated in institutions such as IFAD that work in a multi-currency environment.
20. The retranslation of assets in United States dollars for reporting purposes has always generated foreign exchange movements, which appear as unrealized gains and losses on IFAD's statement of comprehensive income. In other words, they do not have repercussions on IFAD's financial stability since the Fund ensures that it has enough liquidity to meet its disbursement requirements.
21. In 2019, an unrealized exchange rate loss of US\$21.8 million was recorded. This was primarily due to the depreciation of the SDR against the United States dollar. Exchange rate fluctuations have historically netted out, as illustrated in figure 1.

Figure 1

Unrealized foreign exchange gains/(losses) due to movements in US\$:SDR exchange rate trends since 2006



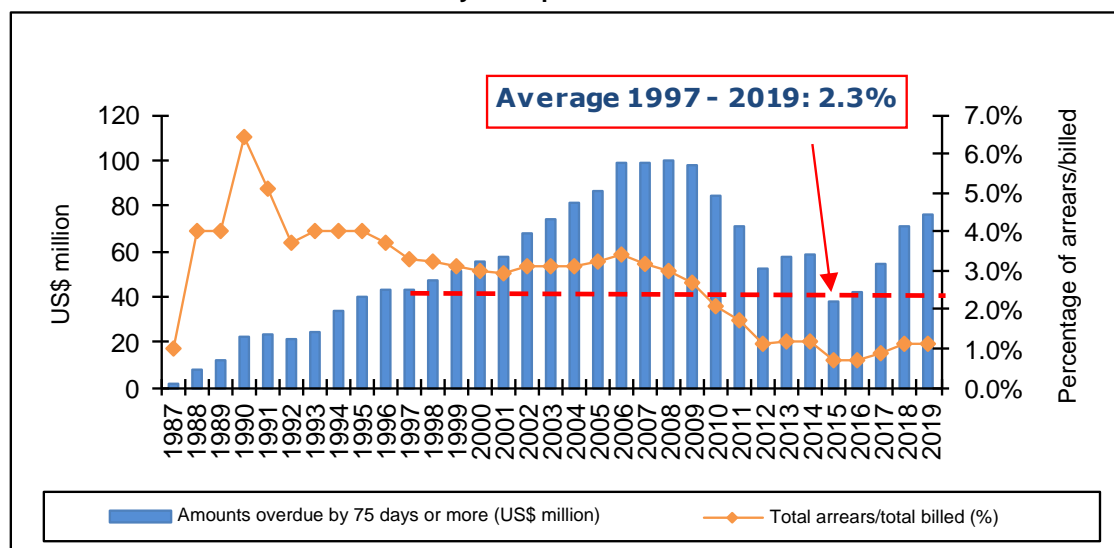
22. **Credit risk.** The Fund enjoys preferred creditor status and adopts several operational measures to reduce the risk of accumulating arrears balances, i.e. default risk. These include suspending disbursements on loans that are 75 days in arrears (after a grace period), as well as suspending disbursements on the entire country portfolio. Figure 2 shows the percentage of amounts in arrears for more than 75 days (after a grace period) relative to overall billed amounts. As of 31 December 2019, the level of arrears is below the historical average of 2.3 per cent.

¹ Interest rate risk is the risk that IFAD is unable to repay interest due to a mismatch between the interest rate stipulated for its borrowed funds and the interest rate applicable to its entire loan portfolio.

² For example, interest rates applied to outstanding loan balances should be higher overall than interest on financial liabilities.

³ The SDR is a basket of currencies (Source: International Monetary Fund). The value of SDR is based on five currencies: the United States dollar, the euro, the Chinese yuan renminbi, the Japanese yen and the British pound sterling.

Figure 2
Amounts in arrears for more than 75 days compared to billed amounts



23. The loan impairment allowance at the end of December 2019 decreased to US\$103.4 million from US\$119.3 million in 2018 (in nominal terms). This decrease is mainly attributable to lower probabilities of default and loss given default. During the fiscal year 2019, the Fund did not register new default cases.
24. The expected credit loss (ECL) reflects a probability weighted outcome, time value of money and the best available forward-looking information through the inclusion of the latest available macroeconomic factors. The ECL comprises a three-stage model based on changes in credit quality since origination or initial recognition of the financial instrument, i.e. the date on which disbursement conditions have been met (for loans), or the date on which instruments are purchased by the Fund (for investments). Impairment is reported on either a 12-month or a lifetime expected credit loss, depending on the stage allocation of the financial instrument. The stage allocation also determines if interest income for the financial instrument is reported on the gross carrying amount, as for stages 1 and 2, or the net of impairment allowance, as for stage 3.
25. As of December 2019, IFAD's financial instruments have been categorized by stages as follows and as summarized in table 3:
 - **Stage 1 – Performing loans:** 87 per cent of IFAD's portfolio. The credit loss provision has been calculated with a required one-year time horizon and amounts to US\$6.3 million (2018: US\$7.5 million).
 - **Stage 2 – Under-performing loans:** 11 per cent of IFAD's portfolio. These loans show signs of creditworthiness deterioration. The credit loss provision has been calculated for the full life cycle of the loan and amounts to US\$20.2 million (2018: US\$34.7 million).
 - **Stage 3 – Non-performing loans:** 2 per cent of IFAD's portfolio. Stage 3 borrowers (the Democratic People's Republic of Korea, Somalia, the Bolivarian Republic of Venezuela and Yemen) have an outstanding arrears history. The provision has therefore been calculated for the full life cycle of the loan, embedding a 100 per cent probability of default and amounting to US\$61.7 million (2018: US\$61.9 million).

Table 3
Exposure and ECL loan impairment allowance by stage
(Millions of United States dollars)

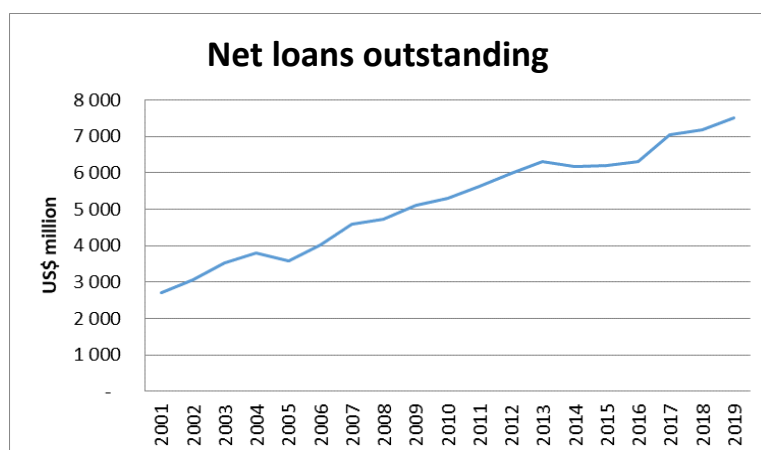
	2019		2018	
	Exposure	Allowance	Exposure	Allowance
Stage 1	9 252.8	6.3	8 520.0	7.5
Stage 2	1 134.1	20.2	1 027.1	34.7
Stage 3	205.6	61.7	206.3	61.9
Total ECL	10 592.5	88.23	9 753.5	104.1
Haiti Debt Relief		15.2		15.2
Total allowance		103.4		119.3
Exposure:				
Loans outstanding	7 593.4		7 293.2	
Loan commitments	2 999.1		2 460.3	
Total	10 592.5		9 753.5	

26. Movements between stages depend on the evolution of the financial instrument's credit risk from initial recognition to reporting date. Both improvements and deterioration may therefore cause volatility in the impairment allowance balances.
27. The benefits of IFAD's implementation of IFRS 9: Impairment Section include: (i) compliance with IFRS standards required to support a clean audit opinion; (ii) supports IFAD's risk management practices particularly on credit risk and IFAD's Preferred Creditor Status; (iii) is used as a basis for credit assessments of IFAD borrowers supporting the capital adequacy requirements; and (iv) improved loan portfolio management through proactive monitoring of indicators to reduce arrears and other risks.

V. IFAD's operating activities

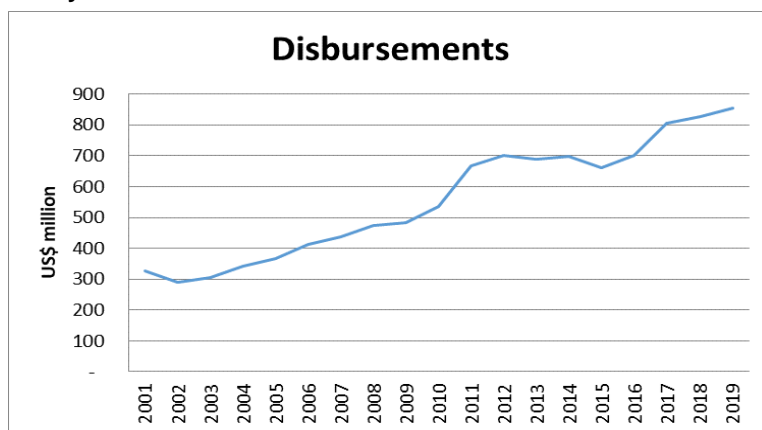
28. During 2019, the Fund approved loans and grants totalling US\$1.67 billion (2018: US\$1.18 billion). It should be noted that the level of project approvals in 2019 was higher than prior years as project designs were front loaded for the first year of the IFAD11 cycle (for further details, see table 4).
29. The balance of loans outstanding has been increasing over the years (as shown in figure 3 below); the majority of IFAD loans are provided on highly concessional terms, with a repayment period of up to 40 years. Loans are typically disbursed over an average of seven years.

Figure 3
Outstanding loan balance 2001-2019



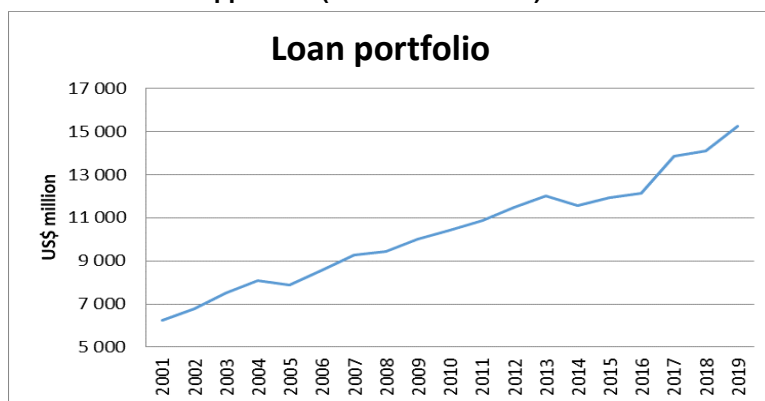
30. Overall, yearly project activities are increasing. Figure 4 illustrates the trends in yearly disbursements for IFAD-funded projects (through loans, grants and DSF).

Figure 4
Yearly disbursements 2001-2019



31. Figure 5 provides loan portfolio trends related to the overall cumulative loans approved (committed).

Figure 5
Cumulative loan approvals (less cancellations) 2001-2019

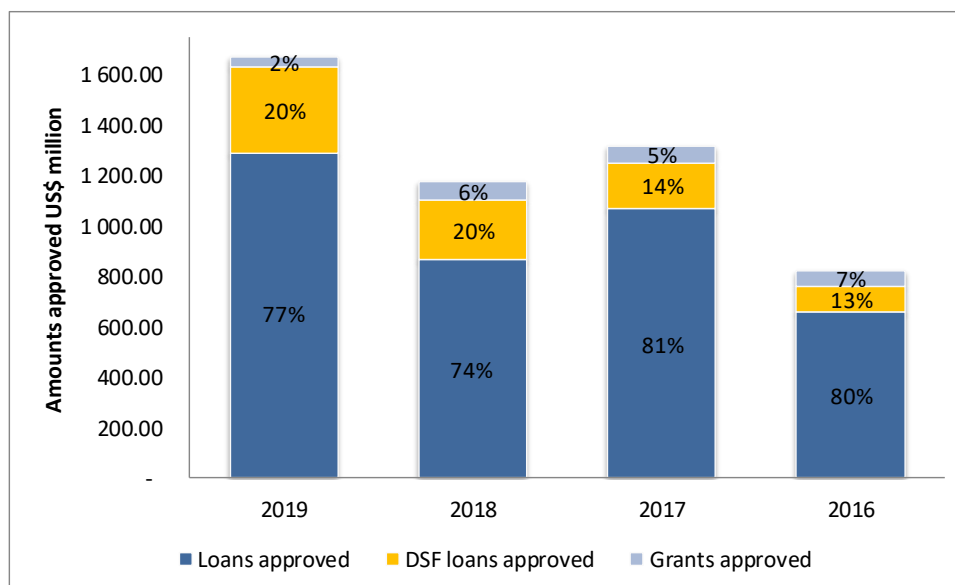


32. Table 4 and figure 6 provide a summary of the volume of operational activities and loan approvals by product type.

Table 4
Loan and grant flows and balances
(Millions of United States dollars – nominal values)

	2019	2018	2017	2016
Approvals				
Loans approved	1 292.2	868.9	1 069.8	657.6
DSF loans approved	339.6	234.9	183.3	105.5
Grants approved	39.4	73.7	65.6	58.9
Total approvals	1 671.2	1 177.5	1 318.7	822.0
Outstanding/undisbursed				
Loans outstanding	7 501.4	7 312.9	7 140.3	6 377.2
Undisbursed DSF	1 061.5	901.7	828.5	740.0
Undisbursed grants	123.6	101.3	98.0	80.5
Disbursements				
Loan disbursements	626.0	627.1	631.4	539.4
DSF disbursements	174.7	138.6	127.8	123.9
Grant disbursements	54.1	59.8	45.4	39.3
Total disbursements	854.8	825.6	804.6	702.6
Loan repayments	370.5	341.9	315.9	299.2

Figure 6
Loan, DSF and grant approvals by year
(Amounts approved and related percentages)



33. During 2019, the overall volume of loan repayments and disbursements was higher than in the previous year – in both denomination and in reporting currency terms.
34. Loan interest income in 2019 was higher than in 2018 due to reference interest rates being higher.⁴

VI. IFAD's financing activities

35. In line with IFAD's replenishment cycles, in 2019 additional instruments of contribution were received, mainly for IFAD11. This is reflected in an increase in equity (contributions) of US\$147.3 million in 2019 compared to 2018. Overall equity (capital) at the end of 2019 totalled US\$9.1 billion.
36. Under IFAD11, the total due in DSF additional compensation contributions during the period, over and above the regular contributions, was US\$39.5 million.⁵
37. During 2019, IFAD encashed the remaining instalments of the Sovereign Borrowing Framework loan from the Agence Française de Développement for an amount of EUR 100.0 million. In addition, during 2019 IFAD encashed concessional partner loans negotiated during the IFAD11 Consultation for an amount of approximately US\$120 million.⁶ At the end of 2019 the overall borrowing liability towards sovereign entities amounted to US\$741.6 million (2018: US\$571.6 million).

⁴ Reference rates are inclusive of the introduction of currency-specific interest rates and service charge interest rates to highly concessional and blend term loans that commenced with the approval of GC 42/L.7 on the 16 February 2019.

⁵ Some Member States included separate additional amounts in respect of DSF in their instruments of contribution (IOCs). For those Member States that pledged but did not include any separate and additional DSF contribution in their IOCs, amounts due were carved out of their core contributions for DSF compensation.

⁶ This amount is inclusive of the grant element of approximately US\$51.0 million.

VII. IFAD-only financial statements

38. The following analysis refers to the relevant appendices and related notes (appendix D) of the consolidated financial statements.

Balance sheet (appendix A)

Assets

39. **Cash and investments.** The value of the cash and investments portfolio, including investment receivables and payables, remained almost stable at US\$1.0 billion. This is consistent with the adopted replenishment scenarios. Detailed information is included in the Report on IFAD's Investment Portfolio for 2019.
40. **Receivables for IOCs and promissory notes.** Net receivables decreased to US\$598 million at the end of 2019 (from US\$828 million at the end of 2018). This is in line with the IFAD11 cycle as reported in paragraphs 9 and 46 of this document.
41. **Loans outstanding,** net of accumulated allowances for loan impairment losses and the Heavily Indebted Poor Countries (HIPC) Initiative, totalled US\$6.3 billion in 2019 in fair value terms (2018: US\$6.0 billion). This increase was a result of the net effect of additional disbursements, loan repayments, positive exchange rate movements and the movement in the loan impairment allowance (see table 5).
42. **The fair value adjustment** in United States dollar terms decreased owing to the net effect of an additional fair value annual charge (as a result of lower market rates in 2019) and the unwinding effect of loans valued at fair value in earlier years (see table 5).

Table 5

Loans outstanding

(Millions of United States dollars)

	2019	2018
Loans outstanding (principal)	7 593.4	7 293.2
Interest receivable	20.4	19.6
Loans outstanding at nominal value*	7 613.8	7 312.8
Less fair value adjustment	(1 265.3)	(1 255.4)
Loans outstanding at fair value*	6 348.5	6 057.4

* Balances as at 31 December.

43. **Allowance for loan impairment losses.** As reported above, the allowance is calculated in accordance with IFRS 9. Loan impairment losses in nominal terms amounted to US\$103.4 million at the end of 2019 (2018: US\$119.2 million). The methodology refers to the excepted credit loss allowance of US\$88.2 million and the provisioning requirements of US\$15.2 million for the Haiti debt relief burden to be absorbed by IFAD.
44. **HIPC Initiative allowance.** The reduction to US\$8.9 million, in nominal terms, in 2019 (US\$11.4 million in 2018) mainly reflects the debt relief provided to eligible countries. IFAD has been participating in the HIPC Debt Initiative since 1997 (see details in appendix J of the financial statements). At the end of 2019, the total cumulative cost of debt relief approved by IFAD was US\$506.2 million, in nominal terms. The amount of debt relief provided was US\$377.6 million, including principal and interest totalling US\$113.2 million.

Liabilities and equity

45. **Borrowing liabilities.** At the end of December 2019, borrowing liabilities amounted to the equivalent of US\$741.6 million (US\$571.6 million in 2018).
46. **Contributions.** Cumulative contributions for regular resources, net of impairment allowances, rose to US\$9.1 billion (US\$8.9 billion in 2018). This is consistent with the IFAD11 cycle. Table 6 below provides information on the status of contributions for IFAD11.

Table 6

Contribution flows

(Millions of United States dollars)

<i>IFAD11*</i>		2019	2018
Pledges			
Regular resources		1 008.7	934.4
DSF compensation		35.2	31.0
Cumulative pledges to date	(A)	1 043.9	965.4
IOCs received	(B)	955.8	798.2
Outstanding pledges	(A)-(B)	88.1	167.2
<hr/>			
Cash payments received		455.9	63.8
DSF payments received		33.2	5.9
Total payments received		489.1	69.7

* In February 2019, the Governing Council adopted resolution 203/XLI on IFAD11.

47. Full details of Members' replenishment contributions are shown in appendix H of the Consolidated Financial Statements.

Statement of comprehensive income (appendix B)**Revenue**

48. Income from loan interest and service charges amounted to US\$68.7 million in 2019 (US\$65.5 million in 2018).
49. Income from cash and investments increased to US\$24.6 million (from US\$2.0 million in 2018).

Expenses

50. Expenses reported in 2019 include those incurred under the annual administrative expenses budget in that year but funded by carry-forward funds from the previous year's budget, plus the costs of the Independent Office of Evaluation of IFAD and annual IFAD After-Service Medical Coverage Scheme (ASMCS) costs. Table 7 compares expenses incurred in 2019 and 2018.

Table 7

Operating expenses

(Millions of United States dollars)

	2019	2018	Movement +(-)
Operating expenses			
Staff salaries and benefits			
Staff salaries and post adjustments	52.9	53.5	(0.3)
Other allowances	38.2	39.6	(1.7)
Subtotal	91.1	93.1	(2.0)
Office and general expenses	28.6	39.6	(11.0)
Consultants and other non-staff costs	44.1	42.3	1.8
Direct investment costs	0.9	1.0	(0.1)
Total	164.7	176.1	(11.4)
Depreciation	12.1	3.3	(8.8)

51. The total balances shown above include expenses funded from other sources (US\$15.3 million in 2019; US\$24.1 million in 2018). These funds were mainly provided by the Italian Government in the case of reimbursable expenses (US\$7.9 million in 2019 and US\$8.6 million in 2018), matched by associated revenue.
52. The above balances also include local staffing costs for IFAD Country Offices (ICOs) totalling US\$4.9 million in 2019 (US\$4.9 million in 2018), and operating and consultancy expenses of US\$5.4 million (US\$3.4 million in 2018). ICO administration is managed through service-level agreements with the United Nations Development Programme, the Food and Agriculture Organization of the United Nations and the World Food Programme.

53. **Staff salaries and benefits.** Staff salaries and post adjustments decreased to US\$91.1 million (from US\$93.1 million in 2018). This decrease is mainly related to the lower volume of allowances paid during 2019 for decentralization activities and for termination indemnities associated with the voluntary separation programme.
54. **Office and general expenses and depreciation.** In 2019, office and general expenses decreased to US\$28.6 million from US\$39.6 million in 2018, while depreciation charges increased to US\$12.1 million in 2019 from US\$3.3 million in 2018. These differences are correlated to the adoption of the new accounting standard IFRS 16. In 2018 and in prior years, lease expenditures were recognized as part of office and general expenses. From 2019 onward, with the adoption of IFRS 16, leases are capitalized and depreciated.
55. **Consultants and other non-staff costs.** The increase to US\$44.1 million (from US\$42.3 million in 2018) reflects the larger volume of services provided by consultants and other organizations.
56. **Loan interest and lease interest expenses.** In 2019, IFAD accrued interest expenses and fees of approximately US\$1.0 million related to borrowing activities as compared to US\$0.8 million in 2018.
57. **Adjustment for changes in fair value.** A negative fair value adjustment of US\$30.8 million was made in 2019. This was mainly attributable to effects deriving from net present value calculations at prevailing interest rate conditions on loans recognized on the balance sheet during 2019 and effects on the undisbursed grant portfolio.
58. **Exchange rate movements.** An analysis is provided in table 8 below.

Table 8
Exchange rate movements in 2019
(Millions of United States dollars)

	2019	2018
Cumulative net unrealized gain as of 1 January	208.1	358.6
Exchange rate movement on:		
Cash and investments	(3.2)	(8.6)
Net receivables/payables	(0.3)	4.8
Loans and grants outstanding	(17.8)	(145.1)
Promissory notes and Member States' receivables	(1.3)	(13.1)
Member States' contributions	0.8	11.5
Total movement in the year	(21.8)	(150.5)
Cumulative net unrealized gain as of 31 December	186.3	208.1

59. As stated in paragraphs 18 and 19, IFAD's assets are mainly denominated in SDR or held in assets replicating the SDR basket. Therefore the translation of these assets into United States dollars for reporting purposes generated an unrealized loss in 2019. At the end of 2019, cumulative net unrealized gains amounted to US\$186.3 million (see table 8).
60. **After-service medical benefits (ASMCS).** In 2019, as in previous years, IFAD engaged an independent actuary to perform a valuation of the ASMCS. The methodology adopted was consistent with the previous year's valuation, and the assumptions used reflected prevailing market conditions. The 2019 ASMCS actuarial valuation calculated a liability of US\$138.1 million at the end of 2019 (US\$113.2 million at the end of 2018). IFAD recorded a net charge for current service costs of US\$5.7 million during 2019 (comprising interest costs and current service charges). This resulted in a net unrealized actuarial loss of US\$19.3 million (compared to an unrealized actuarial gain of US\$21.2 million in 2018). The change in liability was caused principally by the prevailing market conditions, which also

affected the discount rate used in the 2019 valuation of 2.1 per cent (2.8 per cent in 2018), and negative effects generated by changes in foreign exchange.

Statement of changes in retained earnings (appendix B1)

61. The balance of the accumulated deficit changed from negative US\$1.82 billion at the end of 2018 to negative US\$2.2 billion at the end of 2019. This balance represents the accumulation of yearly reported financial results from operations and the impact of exchange rate movements – mainly the translation of loan balances denominated in SDR into United States dollars, IFAD’s reporting currency. The total annual comprehensive loss of US\$368.0 million for 2019 contributed to the aforementioned retained earnings balance, which was partly offset by additional DSF compensation received during the year totalling US\$6.0 million.
62. The net loss of US\$368.1 million in 2019 comprises: revenue of US\$124.3 million offset against unrealized foreign exchange losses of US\$21.8 million; grant and DSF expenses of US\$254.0 million; operating expenses (including staff, consulting services and supplier expenses) of US\$164.7 million; actuarial loss US\$19.3 million and other positive expenses and required accounting adjustments totalling approximately US\$32.6 million.
63. In line with IFRS requirements, the General Reserve represents an appropriation of retained earnings. Between 1980 and 1994, the Executive Board approved several transfers bringing the General Reserve to its current level of US\$95 million.
64. For the 2019 financial year, financial regulation XIII became applicable. It states that: "Annual transfers from the accumulated surplus to the General Reserve shall be determined by the Executive Board after taking into account the Fund’s financial position in the context of the review/approval of yearly audited financial statements of the Fund."
65. Issues to be considered in assessing annual transfers to the General Reserve include: the overall balance of the accumulated surplus/deficit; and the underlying drivers of the yearly net income/loss, particularly unrealized gain/loss balances.
66. Considering that at the end of 2019, the Fund reported a net comprehensive loss on a consolidated basis of US\$377.7 million and a net comprehensive loss for IFAD-only of US\$368.1 million, the net retained earning remains negative at approximately US\$2.1 billion (for both the consolidated and the IFAD-only balance sheet). A transfer to the General Reserve at the end of 2019 is thus not recommended.

Consolidated cash flow statement (appendix C)

67. Appendix C shows movements in liquid unrestricted cash and investments in the balance sheet. It is noted that 66 per cent of consolidated cash and investment balances relate to IFAD (58.8 per cent in 2018).
68. IFAD grant disbursements decreased to US\$54.1 million (US\$59.8 million in 2018). Non-IFAD grant disbursements increased to US\$132.9 million in 2019 (from US\$126.9 million in 2018).
69. Disbursements financed by the DSF increased to US\$174.7 million in 2019 (from US\$138.6 million in 2018).
70. IFAD loan disbursements remained stable at US\$626.0 million in 2019 (from US\$627.1 million in 2018). Non-IFAD loan disbursements decreased to US\$30.4 million in 2019 (from US\$39.6 million in 2018).
71. During 2019, IFAD encashed additional borrowing, including concessional partner loans, of US\$184.3 million (in 2018 US\$119.4 million).
72. Receipts from cash and promissory notes as replenishment contributions totalled US\$374.2 million in 2019 (US\$274.9 million in 2018).

73. Receipts for non-replenishment contributions totalled US\$145.4 million in 2019 (US\$200.4 million in 2018).

VIII. Internal Controls over Financial Reporting

74. Since 2011, IFAD has included a Management assertion regarding the effectiveness of the Fund's Internal Controls over Financial Reporting (ICFR) framework in its financial statements. An attestation by the external auditors (Deloitte) regarding the reliability of the Management assertion has also been included since 2012.
75. IFAD has identified the 2013 Framework of the Committee of Sponsoring Organizations of the Treadway Commission as a suitable basis for Management's approach to evaluating the effectiveness of its ICFR framework..
76. Management's self-assessment against the framework underscores IFAD's commitment to effective internal controls. This attentive stance puts IFAD at par with industry best practice and provides a comprehensive account of the IFAD processes underpinning the preparation of financial statements, and the implementation of internal controls over transactions impacting financial statements.
77. The ICFR is subject to internal and external auditing on a yearly basis to ensure effectiveness thereof. Testing is underpinned by 34 process flows mapped across six divisions and identifying 75 key controls.