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Investing in rural people

High-level Review of IFAD’s Financial Statements for 2020

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For: **Information**

High-level Review of IFAD's Financial Statements for 2020

I. Introduction

1. This document provides additional information on IFAD's consolidated financial statements, and an analysis of IFAD's core business as reflected in the IFAD-only financial statements.

II. External and internal financial environment

2. During 2020, the operating environment was significantly affected by the COVID-19 pandemic. Worldwide, people and economies suffered an unprecedented impact, leading to fiscal policy responses and liquidity injections by central banks in many countries. Interest rates have remained at historically low levels, with negative interest rates prevailing in the euro area.

3. Despite these adverse market conditions, IFAD's overall investment portfolio ended the year with a slightly positive result.

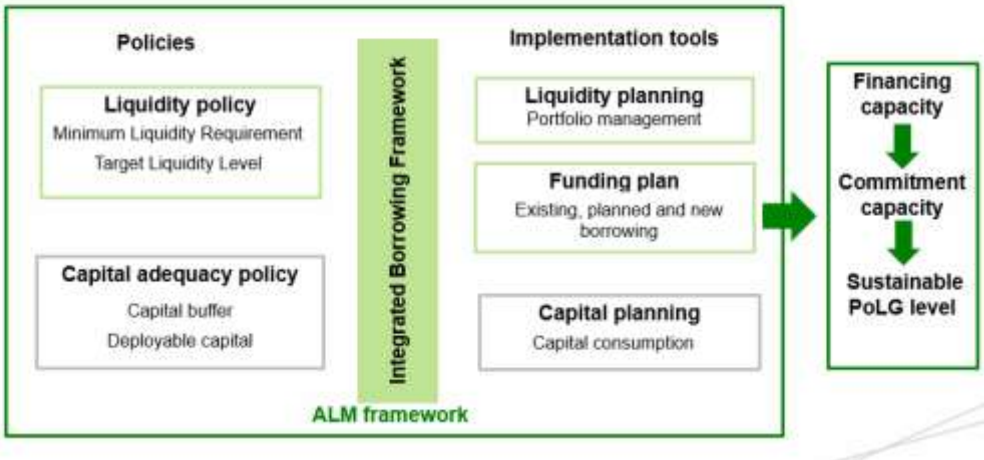
4. The pandemic generated certain negative forward-looking effects for loan impairment provisioning, resulting in higher levels of provisions. Nevertheless, IFAD did not experience any new instances of default on its loan assets during fiscal 2020.

5. In response to the crisis, IFAD took several measures to support recipient countries,[1] including repurposing funds from existing projects in a manner consistent with country priorities. In addition, IFAD proactively set up the Rural Poor Stimulus Facility to provide grant resources to countries in need using supplementary funds. This initiative has been strongly supported by Member States.

6. During fiscal year 2020, the US$:SDR exchange rate increased from 1.386 at the end of 2019 to 1.444 at the end of 2020 and the US$:EUR exchange rate increased marginally from 1.122 at the end of 2019 to 1.223 at the end of 2020. These trends resulted in an unrealized foreign exchange gain.

7. In 2020, IFAD continued the transformation of its financial architecture with a focus on capital and liquidity management. Following the adoption of the Capital Adequacy Policy, in 2020 IFAD introduced the Integrated Borrowing Framework to broaden its funding sources, and a revised Liquidity Policy with a stronger focus on the short term in line with industry standards. The new methodology for determining the resources available for commitment reflects these new policies and defines the main parameters for determining IFAD's financing and commitment capacity. All financial policies operate within the Asset and Liability Management Framework, which sets out the guiding principles for managing balance sheet exposure in order to mitigate financial risks. The following diagram summarizes the logical connections between these policies.

[1] For further details, see the IFAD 2020 annual report.



8. In this context, and in line with the fiduciary responsibility to protect its assets, IFAD continued to strengthen measures in respect of anti-money laundering and countering the financing of terrorism, to ensure compliance with the related policy approved by the Executive Board and conform to best industry practice. The controllership function was launched to monitor internal controls and further protect the organization from risks in connection with decentralization and potential fraud and error. Also during the year, IFAD created the Office of Enterprise Risk Management as an independent division reporting to the Office of the President and Vice-President.

9. During fiscal year 2020, in recognition of its sound capitalization, liquidity, risk management framework, policy importance and Members' support, IFAD was successful in obtaining a rating of AA+ with a stable outlook by Fitch Ratings and Standard & Poor's.

III. Financial results (IFAD-only)

Key figures and ratios

10. Fiscal year 2020 was the second year of the Eleventh Replenishment of IFAD's Resources (IFAD11), which covers the period 2019-2021. Operations were aligned with IFAD11 scenarios. During the year, IFAD conducted the IFAD12 Consultation, covering the period 2022-2024, which ended in February 2021 with a replenishment target set at US$1.55 billion.

11. Total assets (in fair value terms) amounted to US$8.6 billion at the end of 2020 (2019: US$8.1 billion). Additional instruments of contribution (IOCs) were received towards IFAD11, resulting in US$9.2 billion in equity at the end of 2020 (2019: US$9.1 billion).

12. Total net loans outstanding (in fair value terms) increased to US$6.8 billion at the end of 2020 from US$6.3 billion in 2019. This increase was the result of the net effect of additional disbursements and loan repayments, positive exchange rate movements and changes in the loan impairment allowance.

13. As at 31 December 2020 all financial risk parameters were within the thresholds established by the Integrated Borrowing Framework adopted in 2020. The financial ratios are summarized in table 1.

Table 1
Financial ratios as at 31 December 2020, 2019, 2018, 2017 and 2016
(Percentage)

	Dec 20	*Dec 19*	*Dec 18*	*Dec 17*	*Dec 16*	*Threshold**
Equity/total assets	93.7	97.5	97.3	93.0	97.3	>60
Debt/capital available	14.6	9.8	7.5	n.a.	n.a.	<35
Liquidity/assets	11.8	10.7	11.2	15.1	15.9	>5
Liquidity/MLR **	182%	153%	202%	253%	228%	
Debt service coverage	4.1	1.2	0.2	0.2	0.1	<50

* Threshold as defined in the Integrated Borrowing Framework approved in 2020.
** MLR = Minimum liquidity requirements as defined in the Liquidity Policy.

14. Under the current financial mechanism (inclusive of borrowing), and despite negative retained earnings, overall net equity is positive, and at the end of 2020 represented 83.0 per cent of total assets in nominal terms. It should also be noted that at the end of 2020, total assets (US$8.6 billion at fair value) were sufficient relative to total liabilities (US$1.7 billion), undisbursed loan commitments (US$4.7 billion) and undisbursed Debt Sustainability Framework (DSF) commitments (US$1.0 billion).

Risk management

15. **Term risks** are the financial risks that arise when the timing and financial maturities 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 funded largely by equity (i.e. contributions and reserves). Furthermore, borrowing terms are closely aligned with onlending terms, thereby limiting refinancing risks.

16. **Capital adequacy.** The Fund’s main internal capital adequacy metric is the deployable capital ratio. This ratio assesses capital utilization and the availability of resources to support future commitments. To ensure that the Fund is well capitalized and maintains strong credit ratings at all times, the capital utilization trajectory is managed within appropriate tolerance levels, indicating that IFAD has enough capital to cover expected and unexpected losses derived from core and non-core risks embedded within its operations. As at 31 December 2020, the deployable capital ratio was within the parameters established in the related policy.

17. **Liquidity risk.** The Fund’s liquidity position remained within policy thresholds, with liquid assets representing more than 182 per cent of the minimum liquidity requirements. Liquidity at the end of 2020 represented 11.8 per cent of total assets (in nominal terms).

18. Risks and performance associated with the 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 2020, which was submitted to the Audit Committee and Executive Board.

19. **Interest rate risk.** The introduction of borrowing activities has generated an interest rate risk.[2] This risk is currently mitigated by ensuring that the terms of IFAD’s financial liabilities match the terms of onlent funds, while ensuring the performance-based allocation system allocation.[3]

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

20. **Currency risk.** IFAD conducts its operations in various currencies: the bulk of its assets are denominated in special drawing rights (SDR),[4] while for reporting purposes the accounting records are maintained in United States dollars. Fluctuations in the US$:SDR exchange rate create volatility in IFAD's accounts.

21. 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, which work in a multi-currency environment.

22. The conversion 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. These changes do not have any effect on financial sustainability.

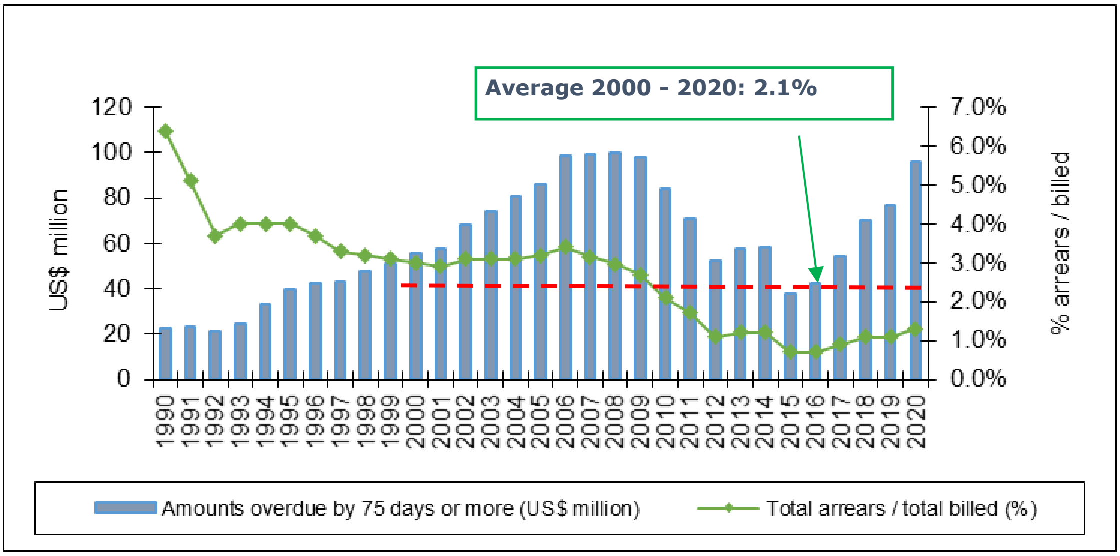
23. In 2020, an unrealized exchange rate gain of US$251.4 million was recorded. This was primarily due to the depreciation of the SDR against the United States dollar. Exchange rate fluctuations have historically netted out, as illustrated in figure 1 below.

Figure 1
Unrealized foreign exchange gains (losses) due to movements in US$:SDR exchange rate trends since 2006

24. **Credit risk.** The Fund enjoys preferred creditor status and adopts several operational measures to reduce 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 2020, the level of arrears is below the historical average of 2.1 per cent.

[4] The SDR is a basket of currencies (source: International Monetary Fund). The value of the 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



25. The loan impairment allowance at the end of December 2020 increased to US$104.8 million from US$88.2 million in 2019 (in nominal terms). Macroeconomic scenarios have been adjusted to fully incorporate the impact of COVID-19, thus providing for higher probabilities of default and loss given default in 2020. The increase in the allowance is also attributable in part to a larger loan portfolio. During fiscal year 2020, the Fund did not register any new instances of default.

26. Expected credit losses (ECL) reflect a probability-weighted outcome, the 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, the date on which disbursement conditions were met (for loans), or the date on which instruments were purchased by the Fund (for investments).

27. As of December 2020, IFAD's financial instruments have been categorized by stages as follows and as summarized in table 2:

- **Stage 1 – Performing loans.** 86.6 per cent of IFAD's portfolio. The credit loss provision has been calculated with a required one-year time horizon and amounts to US$12.9 million (2019: US$6.3 million).

- **Stage 2 – Under-performing loans.** 11.5 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$27.6 million (2019: US$20.3 million).

- **Stage 3 – Non-performing loans.** 2 per cent of IFAD's portfolio. Stage 3 borrowers (Democratic People's Republic of Korea, Somalia, 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$64.3 million (2019: US$61.7 million).

Table 2
Exposure and ECL loan impairment allowance by stage
(Millions of United States dollars)

	December 2020		December 2019		Difference	
Stage	Exposure	Allowance	Exposure	Allowance	Exposure	Allowance
Stage 1	9 872.3	12.9	9 252.8	6.3	619.5	6.6
Stage 2	1 309.2	27.6	1 134.1	20.3	175.1	7.3
Stage 3	214.3	64.3	205.6	61.7	8.7	2.6
	11 395.8	**104.8**	**10 592.5**	**88.2**	**803.3**	**16.5**

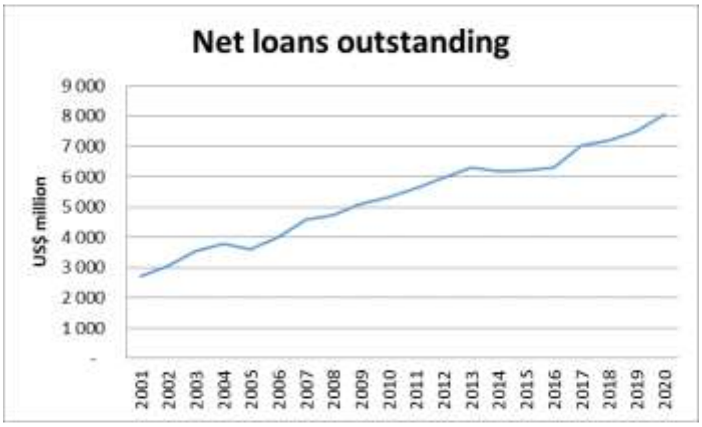
28. Movements between stages depend on the evolution of the financial instrument's credit risk from initial recognition to reporting date. Both improvements and deterioration may therefore cause volatility in the impairment allowance balances.

IV. IFAD's operating activities

29. During 2020, the Fund approved loans and grants totalling US$0.82 billion (2019: US$1.67 billion). It should be noted that the level of project approvals in 2019 was particularly high as project designs were front loaded in the first year of the IFAD11 cycle (for further details, see table 3).

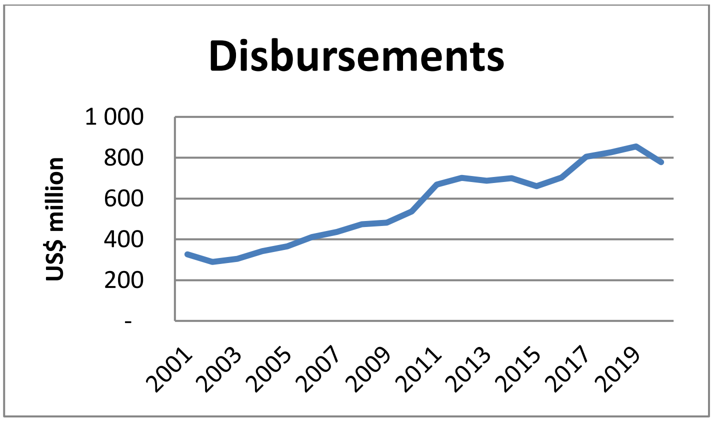
30. The balance of loans outstanding has been increasing over the years (as shown in figure 3 below); the majority of IFAD loans are provided on highly concessional terms, with a repayment period of up to 40 years. Loans are typically disbursed over an average of seven years.

Figure 3
Outstanding loan balance 2001-2020



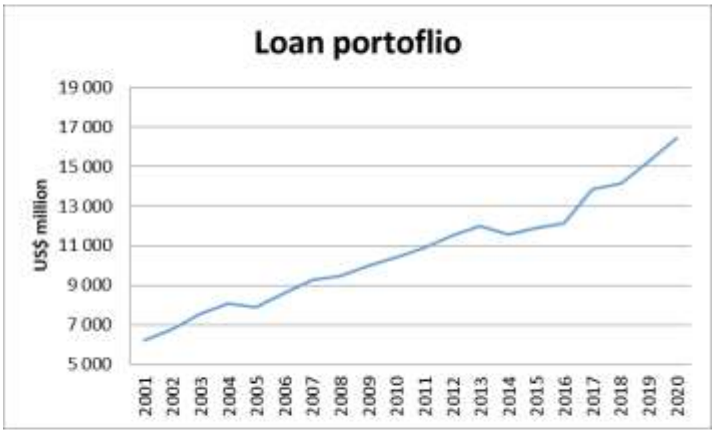
31. Overall, yearly project activities are increasing. Figure 4 illustrates the trends in yearly disbursements for IFAD-funded projects (under loans, grants and DSF).

Figure 4
Yearly disbursements 2001-2020



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

Figure 5
Cumulative loan approvals (less cancellations) 2001-2020

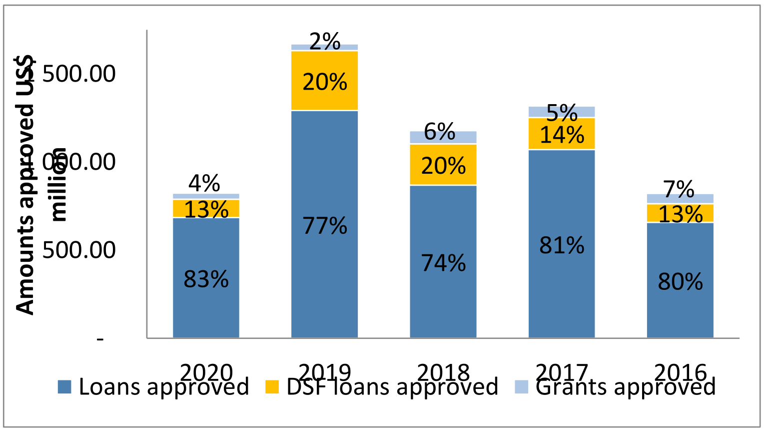


33. Table 3 and figure 6 provide a summary of operational activities by volume and loan approvals by product type.

Table 3
Loan and grant flows and balances
(Millions of United States dollars – nominal values)

	2020	*2019*	*2018*	*2017*	*2016*
Approvals					
Loans approved	685.5	1 292.2	868.9	1 069.8	657.6
DSF loans approved	103.4	339.6	234.9	183.3	105.5
Grants approved	35.2	39.4	73.7	65.6	58.9
Total approvals	**824.2**	**1 671.2**	**1 177.5**	**1 318.7**	**822.0**
Outstanding/undisbursed					
Net loans outstanding	8 049.9	7 501.4	7 312.9	7 140.3	6 377.2
Undisbursed DSF	1 005.1	1 061.5	901.7	828.5	740.0
Undisbursed grants	158.0	123.6	101.3	98.0	80.5
Disbursements					
Loan disbursements	558.4	626.0	627.1	631.4	539.4
DSF disbursements	172.4	174.7	138.6	127.8	123.9
Grant disbursements	47.3	54.1	59.8	45.4	39.3
Total disbursements	**778.1**	**854.8**	**825.6**	**804.6**	**702.6**
Loan repayments	**390.5**	**370.5**	**341.9**	**315.9**	**299.2**

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



34. During 2020, the overall volume of loan repayments was higher than in the previous year – in both denomination and in reporting currency terms.

V. IFAD's financing activities

35. Additional IOCs were received in 2020, mainly for IFAD11. This is reflected in an increase in equity (contributions) of US$97.0 million in 2020 compared to 2019. Overall equity (capital) at the end of 2020 totalled US$9.2 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 2020, IFAD encashed additional borrowings from the Agence Française de Développement sovereign borrowing for an amount of EUR200.0 million and from Canada for an amount of US$112.5 million. In addition, during 2020 IFAD encashed concessional partner loans negotiated during the IFAD11 consultation for an amount of approximately US$6.7 million. At the end of 2020 overall borrowing amounted to US$1,154.5 million (2019: US$741.6 million).

VI. 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, increased steadily to US$1.2 billion from US$1.0 billion in 2019. This is consistent with the projected replenishment scenarios and Liquidity Policy. Detailed information is included in the Report on IFAD's Investment Portfolio for 2020.

40. **Receivables for IOCs and promissory notes**. Net receivables decreased to US$383 million at the end of 2020 (US$598 million at the end of 2019). This is in line with expectations for the IFAD11 cycle, as reported in paragraphs 10 and 46 of this document.

41. **Loans outstanding.** Loans outstanding, net of accumulated allowances for loan impairment losses and the Heavily Indebted Poor Countries (HIPC) Initiative, totalled US$6.8 billion in 2020 in fair value terms (2019: US$6.3 billion). This increase was a result of the net effect of additional disbursements, loan repayments, positive exchange rate movements and the change in the loan impairment allowance (see table 4).

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 2020) and the unwinding effect of loans valued at fair value in earlier years (see table 4).

[5] Some Member States included separate additional amounts in respect of DSF in their 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.

Table 4
Loans outstanding
(Millions of United States dollars)

	2020	*2019*
Loans outstanding (principal)	8 156.4	7 593.4
Interest receivable	20.3	20.4
Loans outstanding at nominal value*	**8 176.7**	**7 613.8**
Less fair value adjustment	(1 296.0)	(1 265.3)
Loans outstanding at fair value*	**6 880.7**	**6 348.5**

***** 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$120.0 million at the end of 2020 (2019: US$103.4 million). Application of the IFRS 9 methodology resulted in an expected credit loss allowance of US$104.8 million and a provisioning requirement of US$15.2 million for the Haiti debt relief burden to be absorbed by IFAD.

44. **HIPC Initiative allowance.** The reduction to US$6.7 million, in nominal terms, in 2020 (US$8.9 million in 2019) mainly reflects the debt relief provided to eligible countries. IFAD has been participating in the HIPC Initiative since 1997 (see details in appendix J of the financial statements). The total amount of debt relief provided to date is US$519.5 million, which includes US$400.5 million in principal and US$119.0 million in interest .

Liabilities and equity

45. **Borrowing liabilities.** At the end of December 2020, borrowing liabilities amounted to the equivalent of US$1,154.5 million (US$741.6 million in 2019).

46. **Contributions.** Cumulative contributions for regular resources, net of impairment allowances, rose to US$9.2 billion (US$9.1 billion in 2019). This is consistent with expectations for the IFAD11 cycle. Table 5 below provides information on the status of contributions for IFAD11.

Table 5
Contribution flows
(Millions of United States dollars)

*IFAD11**	*2020*	*2019*
Pledges		
Regular resources	1 048.5	1 008.7
DSF compensation	35.2	35.2
Cumulative pledges to date (A)	**1 083.7**	**1 043.9**
IOCs (B)	1 028.1	955.8
Outstanding pledges (A)-(B)	**55.6**	**88.1**
Regular resources payments received	735.9	455.9
DSF payments received	34.5	33.2
Total payments received	**770.4**	**489.1**

* In February 2019, the Governing Council adopted resolution 203/XLI on the Eleventh Replenishment of IFAD's Resources.

47. Full details on the replenishment contributions made by Member States are provided in appendix H to the consolidated financial statements.

Statement of comprehensive income (appendix B)

Revenue

48. Income from loan interest and service charges amounted to US$68.1 million in 2020 (US$68.7 million in 2019).

49. Income from cash and investments decreased to US$6.3 million (from US$24.6 million in 2019).

Expenses

50. Expenses reported in 2020 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 6 compares expenses incurred in 2020 and 2019 (see appendix B).

Table 6
Operating expenses
(Millions of United States dollars)

Operating expenses	*2020*	*2019*	*Movement +(-)*
Staff salaries and benefits			
Staff salaries and post adjustments	58.8	53.1	5.7
Other allowances	40.8	38.0	2.8
Subtotal	**99.6**	**91.1**	**8.5**
Office and general expenses	24.5	28.6	(4.1)
Consultants and other non-staff costs	44.9	44.1	0.8
Direct investment costs	1	0.9	0.1
Total	**170.0**	**164.7**	**5.3**

51. The total balances shown above include expenses funded from other sources (US$15.2 million in 2020; US$15.3 million in 2019). These funds were mainly provided by the Italian Government in the case of reimbursable expenses (US$8.1 million in 2020 and US$7.9 million in 2019), matched by associated revenue.

52. The above balances also include local staffing costs for IFAD Country Offices (ICOs) totalling US$6.4 million in 2020 (US$5.0 million in 2019), and operating and consultancy expenses of US$5.4 million (US$5.4 million in 2019). 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 increased to US$99.6 million (from US$91.1 million in 2019). This increase is mainly related to higher number of full-time equivalent positions held during 2020 and to a larger volume of allowances for unused annual leave as result of the pandemic.

54. **Office and general expenses and depreciation.** In 2020, office and general expenses decreased to US$24.5 million from US$28.6 million in 2019. This decrease is attributable mainly to the decline in staff duty travel as a result of COVID-19.

55. **Consultants and other non-staff costs.** The increase to US$44.9 million (from US$44.1 million in 2019) reflects the larger volume of services provided by consultants and other organizations, almost fully offset by a lower volume of consultants’ duty travel.

56. **Loan interest and lease interest expenses.** In 2020, accrued interest expenses and fees remained stable at approximately US$1.6 million.

57. **Adjustment for changes in fair value.** A positive fair value adjustment of US$19.8 million was made in 2020. This was mainly attributable to effects deriving from net present value calculations at prevailing low interest rate conditions on loans recognized on the balance sheet during 2020.

58. **Exchange rate movements.** An analysis is provided in table 7.

Table 7
Exchange rate movements in 2020
(Millions of United States dollars)

	2020	*2019*
Cumulative net unrealized gain as of 1 January	**186.3**	**208.1**
Exchange rate movement on:		
Cash and investments	(7.9)	(3.2)
Net receivables/payables	(15.7)	(0.3)
Loans and grants outstanding	272.6	(17.8)
Promissory notes and Member States' receivables	17.2	(1.3)
Member States' contributions	(14.8)	0.8
Total movement in the year	**251.4**	**(21.8)**
Cumulative net unrealized gain as of 31 December	**437.7**	**186.3**

59. As stated in paragraphs 20 and 21, 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 gain in 2020. At the end of 2020, cumulative net unrealized gains amounted to US$437.7 million (see table 7).

60. **After-service medical benefits.** In 2020, as in previous years, IFAD engaged an independent actuary to perform a valuation of ASMCS. The methodology adopted was consistent with the previous year's valuation, and the assumptions used reflected prevailing market conditions. The 2020 ASMCS actuarial valuation calculated a liability of US$159.1 million at the end of 2020 (US$138.1 million at the end of 2019). IFAD recorded a net charge for current service costs of US$6.4 million during 2020 (comprising interest costs and current service charges). This resulted in a net unrealized actuarial loss of US$13.5 million (compared to an unrealized actuarial loss of US$19.3 million in 2019). The change in liability was caused principally by the prevailing market conditions, which also affected the discount rate used in the 2020 valuation of 1.5 per cent (2.1 per cent in 2019).

Statement of changes in retained earnings (appendix B1)

61. The balance of the accumulated deficit changed from negative US$2.19 billion at the end of 2019 to negative US$2.24 billion at the end of 2020. 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$54.5 million for 2020 contributed to the aforementioned retained earnings balance, which was partly offset by additional DSF compensation received during the year totalling US$1.2 million.

62. The net loss of US$54.5 million in 2020 comprises: revenue of US$108.1 million and unrealized foreign exchange gains of US$251.4 million offset by grant and DSF expenses of US$217.3 million; operating expenses (including staff, consulting services and supplier expenses) of US$170.0 million; an actuarial loss of US$13.5 million and other negative accounting adjustments totalling to approximately US$13.2 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. In this regard, the Financial Regulations of IFAD state, in regulation XIII, subsection (a), as follows: "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 2020 the Fund reported a net comprehensive loss of US$54.5 million and that net retained earnings remain negative at approximately US$2.3 billion, a transfer to the General Reserve at the end of 2020 is not recommended.

Consolidated cash flow statement – IFAD-only (appendix C)

67. Appendix C shows movements in liquid unrestricted cash and investments in the balance sheet. It is noted that 68 per cent of consolidated cash and investment balances relate to IFAD (66 per cent in 2019).

68. IFAD grant disbursements decreased to US$47.3 million (US$54.1 million in 2019).

69. Disbursements financed by the DSF decreased to US$172.4 million in 2020 (from US$174.7 million in 2019).

70. IFAD loan disbursements decreased to US$558.4 million in 2020 (from US$626.0 million in 2019).

71. During 2020, IFAD encashed additional borrowings including concessional partner loans for US$360.4 million (US$184.3 million in 2019). During the year the Fund repaid borrowings for US$15.0 million (US$3.6 million in 2019).

72. Receipts from cash and promissory notes as replenishment contributions totalled US$314.0 million in 2020 (US$374.2 million in 2019).

73. Receipts for complementary contributions totalled US$10.9 million in 2020 (US$19.7 million in 2019).

VII. Internal controls over financial reporting (ICFR)

74. Since 2011, IFAD has included a Management assertion regarding the effectiveness of the Fund's 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 ICFR.

76. Management's adoption of the ICFR framework for self-assessment underscores IFAD's commitment to effective internal controls. This approach puts IFAD on a par with industry best practice and provides a comprehensive account of the processes underpinning the preparation of financial statements and the implementation of internal controls over transactions having an impact on the financial statements.

77. The ICFR is subject to internal and external auditing on a yearly basis to ensure effectiveness. Testing is underpinned by 34 process flows mapped across six divisions, for which 76 key controls have been identified.