Investing in rural people

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High-level review of IFAD's financial statements for 2022

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High-level review of IFAD's financial statements for 2022

I. Introduction

1. This document provides additional information on IFAD's audited financial statements for the year ended 31 December 2022. The analysis contained herein focuses on the core business reflected in the IFAD-only financial statements, and provides details and Management's commentary on key figures and trends.

II. External and internal financial environment

2. In 2022, the external context was characterized by the negative impacts of climate change coupled with other challenges such as the continuing effects of the pandemic and the war in Ukraine. To respond to these challenges and the devastating impact of the food crisis, IFAD:

- Continued implementing interventions focused on food security, climate adaptation and biodiversity;
- Established the Crisis Response Initiative to support countries affected by the food crisis through grant resources; and
- Continued implementing the projects financed under the Rural Poor Stimulus Facility.

3. Inflation signals were registered in all economies and, as a consequence, interest rates presented an upward trend.

4. The special drawing right (SDR) to United States dollar (US$) exchange rate decreased substantially from 1.402 at the end of 2021 to 1.335 as at 31 December 2022.

5. IFAD's operations and financial situation remained stable, with all financial indicators within the established thresholds. In 2022, in recognition of IFAD's sound capitalization, liquidity, risk management framework and support from Members, IFAD's rating was confirmed by Fitch Ratings and Standard & Poor's at AA+, with a stable outlook.

6. The 2022 financial statements feature two main accounting topics:

- The adoption of hedge accounting treatment for the first two private placements of US$150 million and the associated interest rate swap to mitigate interest rate risks, as the conditions set out in International Financial Reporting Standard (IFRS) 9 had been met.
- The adoption of a voluntary revision in the accounting policy vis-à-vis fair value policy.

7. In 2005 IFAD adopted International Accounting Standard (IAS) 39. At that time, according to the prevailing interpretation of the accounting standard, loans had been initially recognized at their fair value and subsequently amortized. The initial fair value was determined in net present value terms, discounting the future loan cash flows using the prevailing market interest rates as the discount factor. This measurement methodology generated a decreased accounting value of the loan portfolio. To provide full disclosure, IFAD presented two sets of financial statements with one set at "fair value" and one in "nominal terms". The nominal terms have been used as the basis for financial planning, replenishment scenarios, decision-making and the rating process. In 2022, with the support of a consulting firm, IFAD was able to introduce a voluntary change to the accounting policy and address this dichotomy. From 2022 onwards, loans will be disclosed at their transactional value (nominal value: amount disbursed, less amount repaid). This change in accounting policy improves the comparability with the other multilateral development banks. In addition, the change marginally improves disclosure for contribution receivables

and undisbursed grants. The table below summarizes the major restatements and impacts.

Table 1
Changes in accounting policy
(Millions of United States dollars)

	31 Dec 2021 previously reported	*31 Dec 2021 restated*	*Difference*
Contributions receivables	829.2	842.2	13.0
Total contribution equity	(10 091.0)	(10 104.0)	(13.0)
Net loan outstanding	6 883.8	8 110.6	1 226.8
Undisbursed grants	(101.3)	(103.5)	(2.2)
Accumulated deficit	(2 839.4)	(1 614.8)	1 224.6

III. Key figures and ratios

8. IFAD's financial situation remained sound, and all financial ratios remained within established thresholds. Pledges for the Twelfth Replenishment of IFAD's Resources (IFAD12) reached the record level of US$1.28 billion as at 31 December 2022. Additional contributions were received and IFAD's equity stood at US$10.2 billion. Its overall net equity position was US$8.0 billion.

9. Long-term financial viability continues to be monitored closely. The non-performing loan (NPL) ratio improved (2.15 per cent in 2022 compared to 2.4 per cent in 2021) because of the clearance of Somalia's arrears, although this was partially offset by the new default case of Lebanon.

10. During the year, the Executive Board approved the Heavily Indebted Poor Countries (HIPC) Initiative decision points for Somalia and Sudan, which resulted in an accounting provision for 2022 of US$106.2 million. Some Member States – such as Belgium, Italy and Sweden in 2022, and Germany in 2023 – contributed to the clearance of Somalia's arrears outside the HIPC entitlements

11. During fiscal year 2022, a total of US$1.04 billion was approved in new projects (loans and grants). Disbursements to projects and other initiatives amounted to US$933.9 million. Operating expenditures remained below 2 per cent of total assets.

12. Table 2 provides a summary of the main financial results.

Table 2
Main financial results
(Millions of United States dollars)

	2022	*2021*	*2020*	*2019*	*2018*	*2017*
Total assets	10 240	10 596	9 883	9 399	9 286	8 940
Replenishment contributions (Equity)	10 185	10 104	9 170	9 073	8 938	8 217
Loans outstanding	7 998	8 111	8 050	7 501	7 182	7 501
Net equity/loans outstanding	99.6%	105.8%	102.0%	107.0%	114.0%	107.0%
Projects approved	1 043.3	891.9	824.2	1 671.2	1 177.5	1 318.7
Disbursements	933.9	906.0	778.1	854.8	825.6	804.6
Operating expenditures/total assets (annual)	1.9%	1.8%	1.7%	1.8%	1.9%	1.8%

13. Despite negative retained earnings, IFAD's overall net equity is positive, and at the end of 2022, it represented 78.0 per cent of total assets in nominal terms. At the end of 2022, IFAD's total assets (US$10.2 billion in nominal terms) were sufficient relative to total liabilities (US$2.3 billion), undisbursed loan commitments (US$4.4 billion) and undisbursed grant commitments (US$1.0 billion).

14. As at 31 December 2022, all financial risk parameters are within the thresholds established by the Integrated Borrowing Framework. The financial ratios are summarized in table 3 below.

Table 3
Financial ratios
(Percentage)

	2022	*2021*	*2020*	*2019*	*2018*	*2017*	*Threshold*
Equity/total assets	100.4	96.2	93.7	97.5	97.3	93	>60
Debt/capital available	24.9	19.5	14.6	9.8	7.5	n.a.	<35
Liquidity/assets	14.0	13.3	11.8	10.7	11.2	15.1	>5
Debt service coverage	10.5	6.8	4.1	1.2	0.2	0.2	<50

IV. Risk management

15. **Capital adequacy**. The Fund's main internal capital adequacy metric is the deployable capital (DC) ratio. The DC ratio assesses IFAD's 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 operations. The debt-to-capital ratio available as at 31 December 2022 stood at 24.9, well within the threshold, and it is closely monitored.

16. **Liquidity risk.** The Fund's liquidity position remained within policy thresholds. Liquidity at the end of the fourth quarter (Q4) of 2022 represented 14.0 per cent of total assets. IFAD also remained in compliance with internal liquidity prudential ratios and requirements by rating agencies.

17. **Interest rate risk.** This is defined as the potential for loss arising from adverse movements in market interest rates. The interest rate risk is mitigated by reducing the duration mismatch between its assets (investment portfolio and loan portfolio) and liabilities (borrowed funds). With a duration of 0.2 years, the investment portfolio reflects low sensitivity to changes in interest rates.

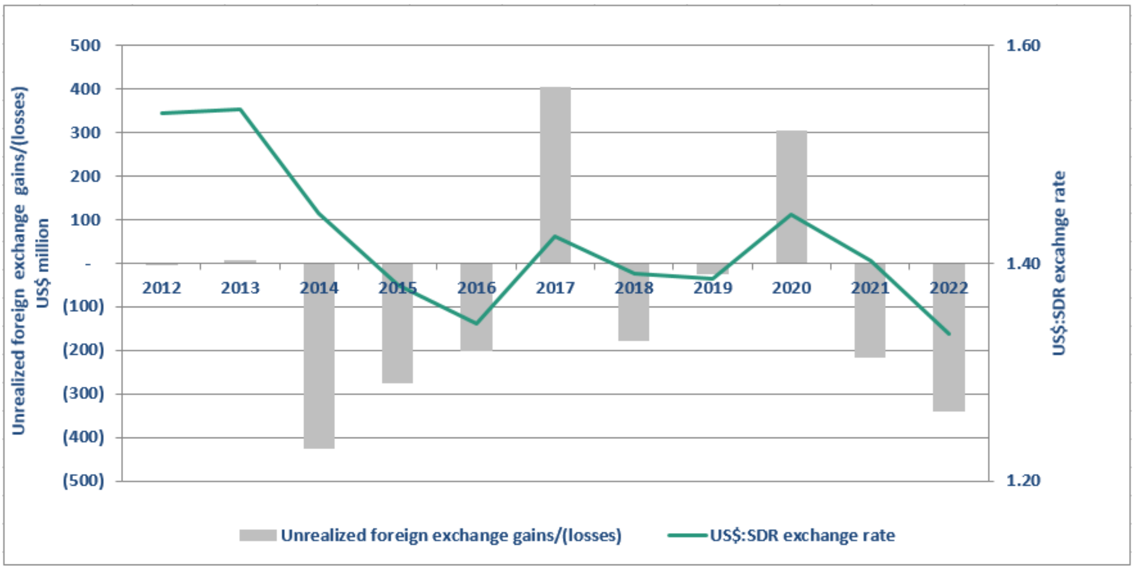
18. In 2022, IFAD issued the first private placements, totalling US$150 million, to mitigate interest rate risk. IFAD used interest rate swaps to convert the interest rate profile of the liabilities from a fixed to floating rate in line with the rate applied to loan assets at ordinary terms. IFAD applies IFRS 9 hedge accounting treatment to individual identified hedge relationships when conditions set out by the standard are met. Table 4 describes the hedge adjustment on the bond and the fair value movement on the swaps, which closely mirror each other (or are similar).

Table 4
(Millions of United States dollars)

31 Dec 22	*Notional*	*Carrying amount liabilities*	*Hedge adjustment*
Fair value hedges interest rate risk	150.0	(8.9)	8.3

19. **Currency risk**. IFAD conducts its operations in various currencies, while accounting records are maintained in United States dollars. 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. Fluctuations in the United States dollar rate vis-à-vis the other currencies, and in particular against the SDR exchange rate, have always created volatility in IFAD's accounts. 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 2012–2022



20. During 2022, the SDR depreciated against the United States dollar by approximately 4.8 per cent (from 1.402 at the end of 2021 to 1.335 as at 31 December 2022). The US$:EUR exchange rate decreased from 1.137 at the end of 2021 to 0.979 at 31 December 2022. At the end of December 2022, the unrealized exchange rate losses amounted to US$339.6 million. Table 5 provides some details about the main driving factors.

Table 5
Foreign exchange movements
(Millions of United States dollars)

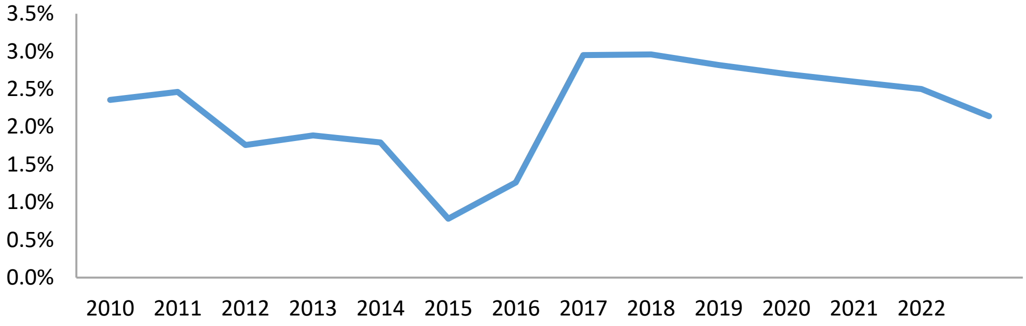
Jan-Dec 22	
Cash and investments	(53.7)
Loan liabilities	5.4
Other receivable and payables	68.2
Loans	(361.0)
Undisbursed grants	1.5
Total	**(339.6)**

21. Foreign exchange risk on commitment capacity is mitigated by ensuring that commitments for undisbursed loans and grants are supported by assets denominated in the SDR basket of currencies, therefore the capital requirements for currency risk are computed on the net position of assets and liabilities in each currency. Capital requirements for currency risk are based on a historical simulation of the behaviour of each foreign exchange rate. IFAD's balance sheet is still mainly denominated in SDR. Assets granted in euros are almost entirely matched with liabilities in the same currency. Accordingly, the gap in this currency remains relatively low. In order to immunize its short-term liquidity profile from foreign currency risk fluctuations, the Fund ensures that the currency composition of its projected inflows are aligned to its outflows over a 24-month horizon. IFAD holds sufficient amounts in each currency to fund the projected net outflows over a 24-month period, taking into consideration the 10 per cent tolerance level.

22. **Credit risk**. Credit risk is closely monitored. Details by region are provided in the annex.

23. 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) and suspending disbursements on the entire country portfolio. At the end of December 2022, as mentioned above, the NPL ratio (calculated as non-performing loans outstanding over the overall outstanding loan portfolio balance) improved to approximately 2.15 per cent, from 2.4 per cent at the end of 2021.

Figure 2
NPL ratio (2010–2022)



24. Expected credit losses (ECL) reflect 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 – the date on which disbursement conditions have been met (for loans). IFAD’s preferred creditor status remains strong as countries are honouring IFAD’s debt service on a timely basis despite macroeconomic trends and rating assessments.

25. The ECL loan impairment allowance at the end of December 2022 increased to US$138.5 million from US$103.5 million in 2021. The increase is attributable to the concurrence factors, as listed below and summarized in table 6:

- Macroeconomic scenarios embedding the effects of the pandemic and the food crisis as a repercussion of the war in Ukraine.
- Some deterioration in country credit ratings, transitioning from stage 1 to stage 2;
- During the last quarter of 2022 the loan portfolio registered a new case of default for Lebanon, which transitioned to stage 3;
- The negative effects described in the bullet points above have been partially compensated for by the Executive Board’s approval of HIPC decision points and debt relief entitlement for Somalia and Sudan. For these two countries, loan allowance is therefore recognized under the HIPC Initiative in accordance with the parameters dictated by the World Bank and the International Monetary Fund.

Table 6
Exposure and ECL loan impairment allowance by stage
(Millions of United States dollars)

	December 2022			*December 2021*			*Difference*	
Stage	*Exposure*	*%*	*Allowance*	*Exposure*	*%*	*Allowance*	*Exposure*	*Allowance*
Stage 1	7 994.3	70.8	8.8	9 049.5	78.9	5.0	(1 055.2)	3.8
Stage 2	3 108.3	27.5	76.7	2 208.4	19.3	36.9	899.9	39.8
Stage 3	195.8	1.7	53.0	205.4	1.8	61.6	(9.6)	(8.6)
	11 298.4		**138.5**	**11 463.3**		**103.5**	**(164.9)**	**35.0**

- **Stage 1 – Performing loans.** The credit loss provision has been calculated with a required one-year time horizon. Overall, stage 1 exposure at default (EAD) decreased because of countries transitioning to stage 2, while the overall stage 1 allowance increased because of underlying macroeconomic scenarios and countries' probability of default (PD).
- **Stage 2 – Underperforming loans**. These loans show signs of creditworthiness deterioration. The credit loss provision has been calculated for the full life cycle of the loan. The increase in underperforming loan balances was due to some countries with a large exposure transitioning to stage 2 from stage 1 as a result of signs of deteriorating creditworthiness. Some of these experienced rating downgrades (e.g. Cuba, Lao People's Democratic Republic, Central African Republic, Democratic Republic of the Congo, Sri Lanka and, lately, Pakistan, Ghana, Malawi and Liberia). It should be noted that such countries are honouring their loan obligations towards IFAD on a timely basis.
- **Stage 3 – Non-performing loans.** Stage 3 borrowers (the Democratic People's Republic of Korea, Lebanon, the Bolivarian Republic of Venezuela and Yemen) have a history of outstanding arrears. The exposure of Lebanon is limited to US$1.6 million. Historically Somalia had been included among stage 3 countries. As noted above, during the last fiscal year, a great effort was made to mobilize donor resources to clear Somalia's arrears, and outstanding arrears are now limited to HIPC entitlements.

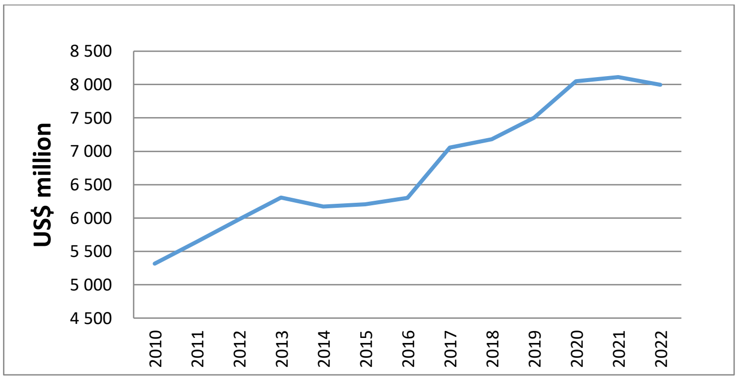
26. Movements between stages depend on the evolution of the financial instrument's credit risk from initial recognition to reporting date. Both improvement and deterioration may therefore cause volatility in the impairment allowance balances.

V. IFAD's operating activities

27. During 2022, the Fund approved loans and grants totalling US$1.04 billion (2021: US$0.9 billion). Further details are provided in table 7.

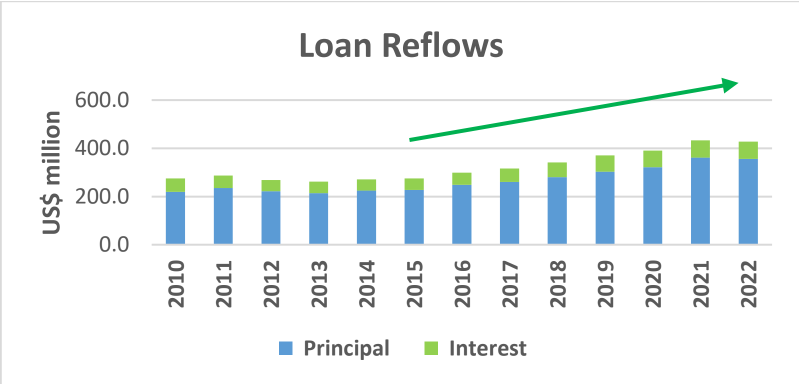
28. The balance of loans outstanding has been increasing over the years (as shown in figure 3 below). The majority of IFAD loans are provided on highly concessional terms, with a repayment period of up to 40 years. Loans are typically disbursed over an average of seven years.

Figure 3
Outstanding loan balance 2010–2022



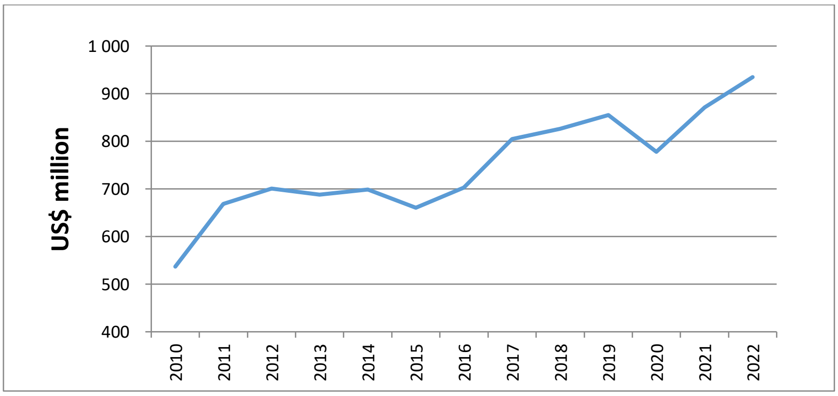
29. During 2022, loan repayments continued to present an upward trend in loan denomination currency, while the overall value in United States dollar equivalent decreased slightly.

Figure 4
Loan repayments 2010–2022



30. Overall, annual disbursements to IFAD-funded projects through loans and grants have increased over the years (see figure 5 below).

Figure 5
Yearly disbursements 2010–2022



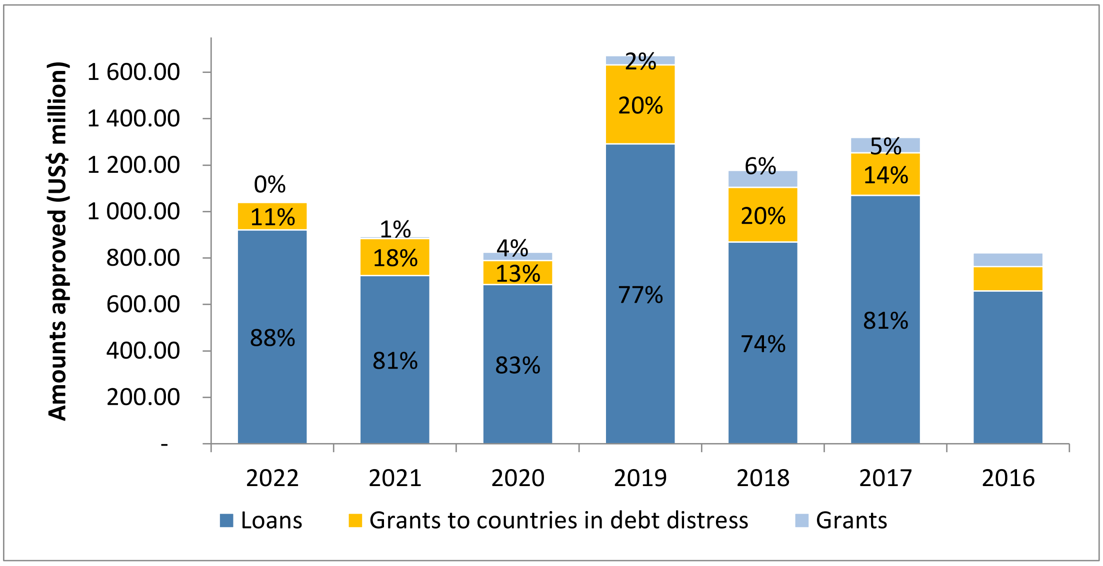
31. Table 7 and figure 6 provide a summary of the volume of operational activities and loan approvals by product type.

Table 7
Loan and grant flows and balances
(Millions of United States dollars – nominal values)

	2022	2021	2020	2019	2018	2017
Approvals						
Loans	921.5	724.6	685.5	1 292.2	868.9	1 069.8
Grants to countries in high debt distress*	118.8	159.7	103.4	339.6	234.9	183.3
Grants	3.0	7.6	35.2	39.4	73.7	65.6
Total approvals	**1 043.3**	**891.9**	**824.2**	**1 671.2**	**1 177.5**	**1 318.7**
Outstanding/undisbursed						
Net loans outstanding	7 997.9	8 110.6	8 049.9	7 501.4	7 312.9	7 140.3
Undisbursed loans	4 409.8	4 476.3	4 747.3	4 527.5	3 919.7	3 878.9
Undisbursed DSF	887.3	965.3	1 005.1	1 061.5	901.7	828.5
Undisbursed grants	82.1	116.5	158.0	123.6	101.3	98.0
Disbursements						
Loan disbursements	735.5	662.8	558.4	626.0	627.1	631.4
DSF disbursements	165.1	163.9	172.4	174.7	138.6	127.8
Grant disbursements	33.3	44.4	47.3	54.1	59.8	45.4
Total disbursements	**933.9**	**871.1**	**778.1**	**854.8**	**825.6**	**804.6**
Loan repayments	**427.8**	**432.6**	**390.5**	**370.5**	**341.9**	**315.9**
Cancellations/reductions	**124.9**	**216.7**	**91.8**	**44.1**	**127.9**	**102.7**

* Formerly referred to as Debt Sustainability Framework (DSF) grants.

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



VI. IFAD's financing activities

32. In line with IFAD's replenishment cycles, additional instruments of contribution were received in 2022, mainly for IFAD12. This is reflected in an increase in equity (contributions) to US$10.2 billion by the end of 2022 (US$10.1 billion in 2021).

33. During 2022, IFAD encashed additional borrowing for an amount equivalent to US$459.7 million from sovereign borrowing, concessional partner loans and the two inaugural private placements. During the year, repayments for borrowing principal instalments and interest amounted to US$44.0 million.

34. At the end of December 2022 overall borrowing liabilities amounted to US$1.9 billion (2021: US$1.6 billion). The resulting debt-to-capital available ratio stood at 24.9 per cent well below the ceiling (19.5 per cent at the end of December 2021).

VII. IFAD-only financial statements

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

A. Balance sheet (appendix A)

Assets

36. **Cash and investments**. In 2022, the value of the cash and investments portfolio, including investment receivables and payables, remained stable at approximately US$1.4 billion. This is consistent with the adopted replenishment scenarios and liquidity policy. Detailed information is included in the Report on IFAD's Investment Portfolio for 2022.

37. **Receivables in respect of instruments of contribution and promissory notes**. Net receivables decreased to US$550.8 million at the end of 2022 (US$842.2 million at the end of 2021). This is in line with the IFAD12 cycle as reported in earlier in this document.

38. **Loans outstanding.** Loans outstanding, net of accumulated allowances for loan impairment losses and the HIPC Initiative totalled US$8.0 billion in 2022 (2021: US$8.1 billion). This decrease was a result of the net effect of additional disbursements, loan repayments, negative exchange rate movements and the movement in the loan impairment allowance (see table 8 below).

Table 8
Loans outstanding
(Millions of United States dollars)

	2022	*2021*
Loans outstanding (principal)	8 232.0	8 215.5
Interest receivable	26.2	18.6
Loans outstanding at nominal value*	**8 258.2**	**8 234.1**
Accumulated allowance for loan impairment losses	**(151.4)**	**(118.7)**
Accumulated allowance for HIPC	**(108.9)**	**(4.7)**
Net loan outstanding	**7 997.9**	**8 110.6**

***** Balances as at 31 December.

39. **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$151.4 million at the end of 2022 (2021: US$118.7 million). The methodology refers to the expected credit loss allowance of US$141.3 million and the provision of US$12.8 million for Haiti Debt Relief to be absorbed by IFAD.

40. **HIPC Initiative allowance**. The increase to US$108.8 million (US$4.7 million in 2022) mainly reflects the provision for the Somalia and Sudan HIPC entitlements. IFAD has been participating in the HIPC Debt Initiative since 1997 (see appendix I of the financial statements). The total amount of debt relief provided to date is US$489.0 million, which includes US$378.0 million in principal and US$111.0 million in interest.

Liabilities and equity

41. **Borrowing liabilities**. At the end of December 2022, borrowing liabilities amounted to the equivalent of US$1,882.7 million (US$1,527.4 million in 2021).

42. **Contributions**. Table 9 below provides information on the status of contributions for IFAD12.

Table 9
IFAD12* contribution flows
(Millions of United States dollars)

IFAD12	*2022*	*2021*
Pledges: regular resources (A)	1 277.8	1 199.5
Instruments of contribution received (B)	1 079.7	961.7
Outstanding pledges (A)-(B)	**198.1**	**237.8**
Total payments received	**537.1**	**116.4**

* In February 2021, the Governing Council adopted resolution 219/XLIV on the Twelfth Replenishment of IFAD's Resources.

43. Full details of Members’ replenishment contributions are shown in appendix G of the consolidated financial statements.

B. Statement of comprehensive income (appendix B)

Revenue

44. Income from loan interest and service charges amounted to US$79.6 million in 2022 (US$70.2 million in 2021).

45. Income from cash and investments increased to US$11.3 million (from US$7.3 million in 2021).

Expenses

46. Expenses reported in 2022 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 10 below compares expenses incurred in 2022 and 2021 (see appendix B).

Table 10
Operating expenses
(Millions of United States dollars)

Operating expenses	*2022*	*2021*	*Movement +(-)*
Staff salaries and benefits			
Staff salaries and post-adjustments	61.6	62.3	(0.7)
Other allowances*	47.1	46.3	0.8
Subtotal	**108.7**	**108.6**	**0.1**
Office and general expenses	27.0	23.4	3.6
Consultants and other non-staff costs	49.8	48.3	1.5
Direct investment costs	5.4	3.5	1.9
Total	**190.9**	**183.8**	**7.1**
Depreciation	**12.2**	**12.6**	**(0.4)**

***** This balance includes for example pension, repatriation and separation indemnity, education grants.

47. The total balances shown above include expenses funded from other sources (US$17.0 million in 2021). These funds were mainly provided by the Government of Italy in the case of reimbursable expenses (US$8.0 million in 2022 and US$8.4 million in 2021) matched by associated revenue.

48. The above balances also include local staffing costs for IFAD Country Offices (ICOs) totalling US$6.3 million in 2022 (US$6.3 million in 2021), and operating and consultancy expenses of US$4.1 million (US$4.7 million in 2021). 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.

49. **Staff salaries and benefits.** Staff salaries and post-adjustments remained stable at approximately US$108.7 million. This steady trend is the result of a combination

of a higher number of full-time equivalent positions during 2022 offset by foreign exchange effects.

50. **Office and general expenses and depreciation**. In 2022, office and general expenses increased to US$27.0 million from US$23.4 million in 2021. This increase is attributable mainly to the higher volume of duty travel by staff.

51. **Consultants and other non-staff costs**. The increase to US$49.8 million in 2022 (from US$48.3 million in 2021) reflects the larger volume of services provided by consultants and other organizations.

52. **Exchange rate movements**. A detailed analysis is provided in paragraphs 19 to 21 above.

53. **After-service medical benefits**. In 2022, 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 2022 ASMCS actuarial valuation calculated a liability of US$102.9 million at the end of 2022 (US$156.5 million at the end of 2021). IFAD recorded a net charge for current service costs of US$7.3 million during 2022 (comprising interest costs and current service charges). This resulted in a net unrealized actuarial gain of US$62.2 million (compared to an unrealized actuarial loss of US$11.5 million in 2022). The change in liability was caused principally by the prevailing market conditions which also affected the discount rate used in the 2022 valuation of 4.2 per cent (2.0 per cent in 2021).

Statement of changes in retained earnings (appendix B1)

54. The balance of the accumulated deficit 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 balance changed from negative US$1.6 billion at the end of 2021 to negative US$2.3 billion at the end of 2022. The total annual comprehensive loss of US$699.2 million for 2022 contributed to the aforementioned retained earnings balance.

55. The net loss of US$699.2 million in 2022 comprises: revenue of US$114.1 million offset by unrealized foreign exchange losses of US$339.6 million; grant expenses of US$174.1 million; operating expenses (including staff, consulting services and supplier expenses) of US$190.9 million; loan interest expenses of US$17.0 million, actuarial gains of US$62.2 million, and other loan allowances for impairment losses and HIPC expenses of US$141.1 million.

56. 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.

57. 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.[1]

58. Considering that at the end of 2022 the Fund reported a net comprehensive loss of US$699.2 million and that net retained earnings remain negative at approximately US$2.3 billion, a transfer to the General Reserve at the end of 2022 is not recommended.

[1] IFAD Financial Regulation XIII 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".

C. Cash flow statement – IFAD-only (appendix C)

59. Appendix C shows movements in liquid unrestricted cash and investments in the balance sheet.

60. IFAD grant disbursements decreased to US$33.3 million (US$44.4 million in 2021).

61. Disbursements to countries in high debt distress (former DSF) amounted to US$165.1 million in 2022 (from US$163.9 million in 2021).

62. IFAD loan disbursements increased to US$735.5 million in 2022 (from US$662.8 million in 2021).

63. During 2022, IFAD encashed additional borrowings, including concessional partner loans for US$459.8 million (US$477.7 million in 2021). During the year the Fund repaid for US$44.7 million (US$31.2 million in 2021).

64. Receipts from cash and promissory notes as replenishment contributions totalled US$366.1 million in 2022 (US$466.9 million in 2021).

65. Receipts for non-replenishment contributions totalled US$13.5 million in 2022 (US$8.9 million in 2021).

VIII. Internal controls over financial reporting and risk governance

66. 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 (PricewaterhouseCoopers) regarding the reliability of the Management assertion has also been included since 2012.

67. 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 internal controls of financial reporting.

68. Management's self-assessment against the framework underscores IFAD's commitment to effective internal controls. This attentive stance places IFAD on par with industry best practice and provides a comprehensive account of IFAD processes underpinning the preparation of financial statements, and the implementation of internal controls over transactions impacting financial statements.

69. The ICFR is subject to internal and external auditing on a yearly basis to ensure effectiveness thereof. Testing is underpinned by 33 process flows mapped across five divisions and identifying 73 key controls.

70. During 2022, IFAD continued to strengthen its anti-money laundering and countering the financing of terrorism and sanction screening measures to reduce the organization's exposure to serious reputational damage, financial loss or legal liability. IFAD has also adopted measures on personal data protection, thus ensuring overall consistency with industry best practice.

71. Finally, fiduciary and risk management was also strengthened during the year with the approval of the Enterprise Risk Management Policy and the IFAD Risk Appetite Statement, now in operation through the new governance Technical Risk Governance Committees.

Status report on arrears in principal, interest and service charge payments

This document provides Executive Board representatives with information regarding the status of arrears as at 31 December 2022.

Table 1
Year-on-year comparison of arrears by region
(As at 31 December 2022)

		Thousands of United States dollars			
Region	*Number of loans*	*Principal*	*Interest and service charges*	*Total arrears*	*Percentage*
West and Central Africa					
As at 31 Dec 2022	9	1 199	358	1 556	2%
As at 31 Dec 2021	10	1 251	207	1 458	1%
East and Southern Africa				-	
As at 31 Dec 2022	1	43	41	84	0%
As at 31 Dec 2021	-				
Asia and the Pacific					
As at 31 Dec 2022	3	23 556	4 146	27 702	27%
As at 31 Dec 2021	3	21 780	3 727	25 507	25%
Latin America and the Caribbean					
As at 31 Dec 2022	7	5 176	626	5 802	6%
As at 31 Dec 2021	3	3 314	254	3 568	3%
Near East, North Africa and Europe					
As at 31 Dec 2022	41	54 265	14 307	68 572	66%
As at 31 Dec 2021	23	45 865	12 550	58 414	56%
Total all regions					
As at 31 December 2022	**61**	**84 240**	**19 476**	**103 716**	**100.0**
As at 31 December 2021	**39**	**72 210**	**16 738**	**88 948**	**100.0**

Note: 2021 figures reclassified according the established de minimis threshold.