LIST A STATEMENT

9. (a) Update on 2024 commitments, programme of loans and grants and related resources

We welcome the opportunity to address the issues around the implications for 2024 of lower than expected commitments experienced in 2023, which were forecast to be 934 million USD in the latest budget document[1] presented during December's Executive board and turned out to be 532,4 million USD as reported in the annual financial statements as of 31 December 2023[2] published for April's Audit Committee.

We appreciate the reporting by management over this discrepancy at the 47th IFAD Governing Council[3] and going forward we encourage management to continue updating governing bodies of significant changes in estimates at the earliest opportunity, presenting the related implications as well as actions needed to address those implications. Transparency and timely information, either in oral or written form as appropriate, are key for member state oversight and appreciation of IFAD's activities.

The reasons underlying lower than expected commitments in 2023 have been identified by Management as related to the difficult macroeconomic environment making repayments and interest expenses more difficult to bear by borrowing governments, on the one hand, and political instability leading to last minute slippages in the signing of projects, on the other hand.

While difficult macroeconomic conditions and political instability are common factors to deal with by IFAD and its client countries, predictions for 2023 may have been exceptionally difficult. First, this could imply that the model used to make these estimations needs to be revisited to better embed these factors. Second, it should call for the development of contingency plans in case outturns are materially different from initial assumptions.

It will also be important to monitor the adequacy of the financing package provided by IFAD and how the unusually significant delays experienced in 2023 can be explained and avoided in the future. One interesting element to consider is the role of BRAM, a relatively new instrument in IFAD's lending toolkit, its lending terms and the demand at these terms. BRAM resources are sourced by IFAD borrowing at market rates and through their lending terms have to recover the corresponding costs. Against this background, it would be appropriate to receive an update from management on BRAM functioning and demand.

Another implication to be addressed is the consistency between commitments and overall cash flows, including liquidity and IFAD borrowing. Therefore, we welcome the submission to the Audit Committee and then the Executive Board of an addendum to the document on Resources Available for Commitments, which we will examine carefully in due course.

2023's lower than expected commitments inevitably lead to a significantly higher number of projects and programmes that must be prepared and approved in 2024 in order to reach the overall IFAD12 targets, even as some external factors, such as elevated interest rates, remain similar to last year. More concretely, to reach the targeted 2024 commitments, IFAD will have to reach a figure of PoLG approvals close to 2 billion dollars, a volume which has probably never been achieved in the past by IFAD.

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[1] EB 2023/140/R.15

[2] High-level review of the IFAD-only financial statement for 2023 (AC 2024/172/R.3)

[3] GC 47/L.8/Add.1 of 13 Feb. 2024

This high figure comprises both projects that were supposed to be approved in December 2023, which we trust will be approved during and between this and the next Executive Board meeting, and new projects that were already in the pipeline. We support Management in setting clear deadlines for projects and programmes to be signed in order to avoid having the bulk of the approvals in the 2024 December Board. We fully support Management in being stringent on this and, if necessary, frontloading other projects originally planned to be approved only in 2025 during IFAD13, in order to achieve our IFAD12 target.

At any rate, this is likely to put stress on staff, management, client countries and governing bodies in order to meet the associated demands. In particular, IFAD clients must be swift in securing their resource allocations, being aware that delays may imply diverting resources towards other countries.

In conclusion, we are eager to learn management's plans on how to carry on this more intense activity in 2024 and on how to avoid similar situations during IFAD13, also addressing the underlying factors behind the experienced slippages in 2023 and making sure that this does not affect negatively planning for IFAD13 and its first year. We also look forward to receiving regular reporting on the evolution of 2024 commitments and on how to spread commitments more evenly over the period of IFAD13.

On their part, within their possibilities, List A members will support the process going forward, minimizing the stress on the organization and its staff as well as on IFAD clients.