IFAD
Investing in rural people

Executive Board
144th Session
Rome, 14 May 2025

High-level review of IFAD's financial statements for 2024

Document: EB 2025/144/R.24/Rev.1

Agenda: 18

Date: 14 May 2025

Distribution: Public

Original: English

FOR: INFORMATION

Action: The Executive Board is invited to take note of the information contained in this document.

Technical questions:

Hernán Alvarado
Associate Vice-President and Chief Financial Officer
Financial Operations Department
e-mail: h.alvarado@ifad.org

Allegra Saitto
Director and Controller
Financial Controller's Division
e-mail: a.saitto@ifad.org

High-level review of IFAD's financial statements for 2024

I. Introduction

1. This document provides additional information on IFAD's audited financial statements for the year ended 31 December 2024. 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 2024, the external context was characterized by a general volatility in the exchange rates market as a result of continuing conflicts and instability and other global challenges.

3. The special drawing right (SDR) to United States dollar (US$) exchange rate decreased to 1.302 at the end of 2024, from 1.344 as at 31 December 2023.

4. IFAD continued implementing operations focused on food security and the eradication of rural poverty.

5. In February 2024, the Governing Council adopted resolution 235/XLVII on the Thirteenth Replenishment of IFAD's Resources (IFAD13). IFAD13 pledges reached the record level of US$1.4 billion as at 31 December 2024.

6. IFAD's operations and its financial situation are stable, with all financial indicators within the established thresholds. In 2024, in recognition of IFAD's sound capitalization, liquidity and risk management framework and its support from Member States, IFAD's rating was confirmed by Fitch Ratings and Standard & Poor's at AA+, with a stable outlook.

III. Key figures and ratios

7. The IFAD13 Resolution was adopted in February 2024 and the replenishment became effective in August 2024 when the instruments of contribution deposited increased the equity balance to US$11.2 billion (in 2023 US$10.4 billion). The overall net equity position was US$8.3 billion as at 31 December 2024 (US$7.9 billion as at 31 December 2023).

8. Long-term financial viability continues to be monitored closely. The non-performing loan (NPL) ratio was almost stable at 2.4 per cent in 2024 compared to 2.3 per cent in 2023.

9. During the year, IFAD provided full debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative to Somalia with the support of the additional compensation received from the HIPC Trust Fund amounting to US$8.5 million.[1]

10. During fiscal year 2024, a total of US$2.0 billion was approved in new projects (loans and grants). Disbursements to projects amounted to US$931 million. Operating expenditures remained below 2 per cent of total assets.

11. Table 1 provides a summary of the main financial results.

[1] Belgium, Germany, Italy and Sweden had already provided support to clear Somalia's arrears.

Table 1
Main financial results
(Millions of United States dollars)

	2024	2023	2022	2021	2020	2019
Total assets	11 195	10 567	10 240	10 596	9 883	9 399
Replenishment contributions (Equity)	11 225	10 373	10 185	10 104	9 170	9 073
Loans outstanding	8 451	8 367	7 998	8 111	8 050	7 501
Net equity/loans outstanding	98.4%	94.7%	99.6%	105.8%	102.0%	107.0%
Projects approved	2 053	532	1 043	892	824	1 671
Disbursements	931	898	934	906	778	855
Operating expenditures/total assets (annual)	1.8%	1.9%	1.9%	1.8%	1.7%	1.8%

12. Despite negative retained earnings, IFAD's overall net equity is positive. At the end of 2024, it represented 74.3 per cent of total assets in nominal terms. At the end of 2024, IFAD's total assets (US$11.2 billion) were sufficient relative to total liabilities (US$2.9 billion), undisbursed loan commitments (US$4.5 billion) and undisbursed grant commitments (US$0.9 billion).

13. As at 31 December 2024, all financial risk parameters were within the thresholds established by IFAD's policies and/or contracts. The financial ratios are summarized in table 2 below.

Table 2
Financial ratios
(Percentage)

	2024	2023	2022	2021	2020	2019	Threshold
Equity/total assets	101.1	99.2	100.4	96.2	93.7	97.5	n.a.
Debt/capital available	31.4	29.0	24.9	19.5	14.6	9.8	<50
Liquidity/assets	16.2	15.2	14.0	13.3	11.8	10.7	n.a.
Debt service coverage	22.8	21.7	10.5	6.8	4.1	1.2	n.a.

IV. Risk management

14. **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 available ratio as at 31 December 2024 stood at 31.3 per cent, well within the threshold, and it is closely monitored.

15. **Liquidity risk.** The Fund's liquidity position remained within policy thresholds. Liquidity at the end of the fourth quarter (Q4) of 2024 represented 16.2 per cent of total assets. IFAD also remained in compliance with internal liquidity prudential ratios and requirements by rating agencies.

16. **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). Table 3 below provides a summary of the interest margin in the period 2019–2024

Table 3
Interest margin
(Thousands of United States dollars)

	2024	*2023*	*2022*	*2021*	*2020*	*2019*
Loan income	131 729	123 572	79 638	68 084	70 158	68 669
Net investment income	84 662	78 075	5 909	6 257	7 295	23 716
Loan interest expenses	(96 179)	(77 506)	(17 028)	(3 346)	(1 164)	(1 054)
Interest margin	**120 213**	**124 141**	**68 519**	**70 995**	**76 289**	**91 331**
Interest margin/earning assets	**1.2%**	**1.4%**	**1.2%**	**0.9%**	**0.9%**	**0.8%**

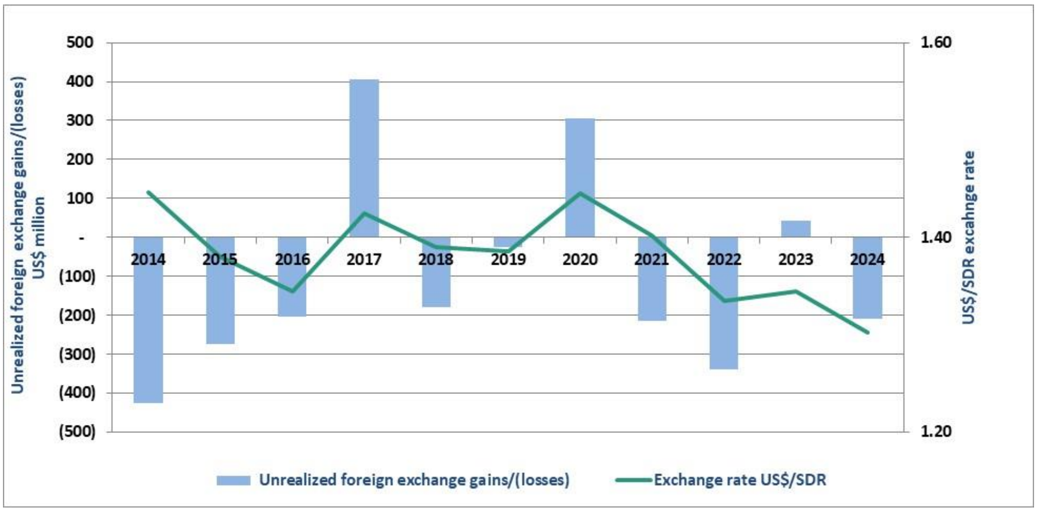
17. In 2024, IFAD enchased an overall amount of US$308.6 million from an additional tranche of a concessional partner loan towards IFAD12 and additional private placements In order to mitigate exchange rate risks and align the currency with the currency of the assets to be financed, IFAD entered into two cross currency swaps. To mitigate interest rate risk, IFAD entered into interest rate swaps to convert the interest rate profile of the liabilities from a fixed to a floating rate in line with the rate applied to loan assets at ordinary terms. IFAD applies International Financial Reporting Standard (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
(Thousands of United States dollars)

31 December 2024	*Notional*	*Hedged value liabilities*	*Hedge adjustment on derivatives*
Cross currency swaps at floating rate	(323 330)	3 054	(6 535)
Fair value hedges interest rate risk	(303 550)	(8 874)	8 435

18. **Currency risk.** IFAD conducts its operations in various currencies, while accounting records are maintained in United States dollars. The conversion of assets into 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 2014–2024



19. During 2024, the SDR depreciated against the United States dollar by approximately 3.1 per cent (from 1.344 at the end of 2023 to 1.302 as at 31 December 2024). The US$:EUR exchange rate decreased from 1.104 at the end of 2023 to 1.035 at 31 December 2024. At the end of December 2024, the unrealized exchange rate losses amounted to US$209.9 million. Table 5 provides some details about the main driving factors.

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

January to December 2024	
Cash and investments	(52.8)
Loan liabilities	87.2
Other receivable and payables	2.8
Loans and grants	(247.2)
Total	**(209.9)**

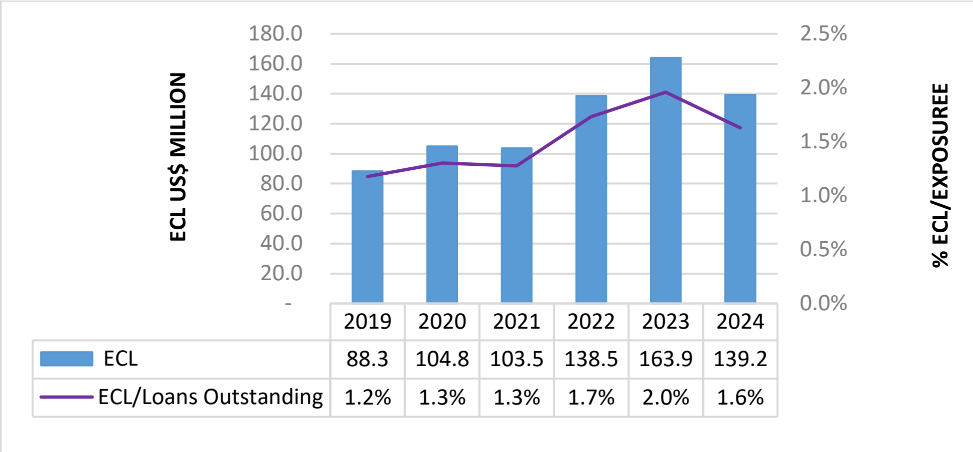
20. Foreign exchange risk on commitment capacity is mitigated by ensuring that commitments for undisbursed loans and grants are supported by assets denominated in the SDR basket of currencies, therefore the capital requirements for currency risk are computed on the net position of assets and liabilities 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 small. 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 is 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.

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

22. 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 2024, as mentioned above, the NPL ratio (calculated as non-performing loans outstanding over the overall loan outstanding portfolio balance) was almost stable at approximately 2.4 per cent, (2.3 per cent at the end of 2023). Additional details are provided in the annex.

23. 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 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. Figure 2 provides an overview on the ECL trends over the period 2019 to 2024. At the end of 2024, ECL represented 1.6 per cent of the loan outstanding balance (2.0 per cent at the end of December 2023).

Figure 2
Expected credit loss trends 2019–2024



24. The ECL loan impairment allowance at the end of December 2024 decreased to US$139.2 million from US$163.9 million in 2023 (see table 6 below). The decrease is attributable to concurrence factors such as:

- Macroeconomic scenarios embedding the effects of conflicts and instability.
- Some improvements in country credit because of repayments of arrears: Niger transitioned from stage 3 to stage 2; this was partially compensated by some creditworthiness deterioration with countries transition to stage 3 (e.g. Myanmar and Gabon).

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

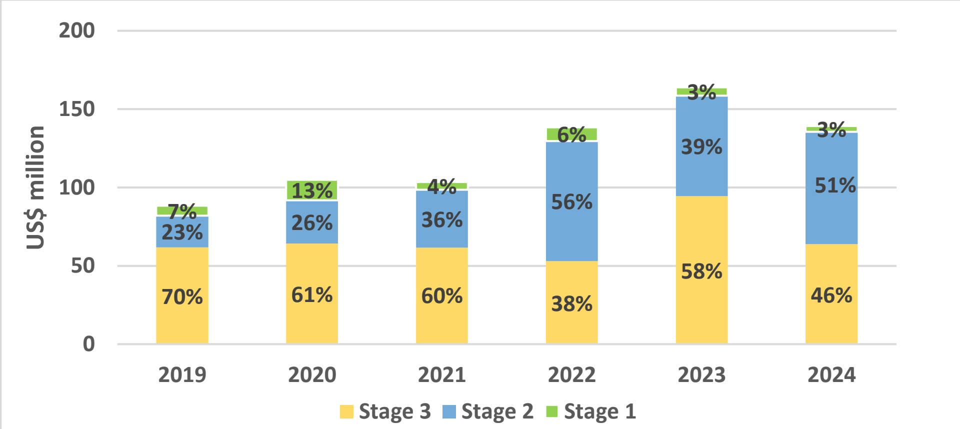
	Dec 24			***Dec 23***			***Difference***	
Stage	*Exposure*	*%*	*Allowance*	*Exposure*	*%*	*Allowance*	*Exposure*	*Allowance*
Stage 1	7 520.7	66.8	3.7	7 840.8	68.7	5.2	(320.1)	(1.5)
Stage 2	3 465.3	30.8	71.7	3 256.0	28.5	64.3	209.3	7.4
Stage 3	268.1	2.4	63.8	314.4	2.8	94.4	(46.3)	(30.6)
	11 254.1		**139.2**	**11 411.2**		**163.9**	**(157.1)**	**(24.7)**

- **Stage 1 – Performing loans.** The credit loss provision has been calculated with a required one-year time horizon. Overall, stage 1 exposure at default decreased because of countries transitioning to stage 2.
- **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. 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 (Democratic People's Republic of Korea, Lebanon, Bolivarian Republic of Venezuela and Yemen) have a history of outstanding arrears. Due to strong signs of creditworthiness deterioration and as a result of international sanctions, Myanmar and Gabon moved to stage 3 in 2024. IFAD is holding regular conversations with these countries to ensure an efficient recovery. It should be noted that in January 2025, Lebanon has honoured in full its obligations.

25. 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.

26. Figure 3 provides details of ECL breakdown by stages from 2019 to 2024.

Figure 3
ECL by stages 2019–2024

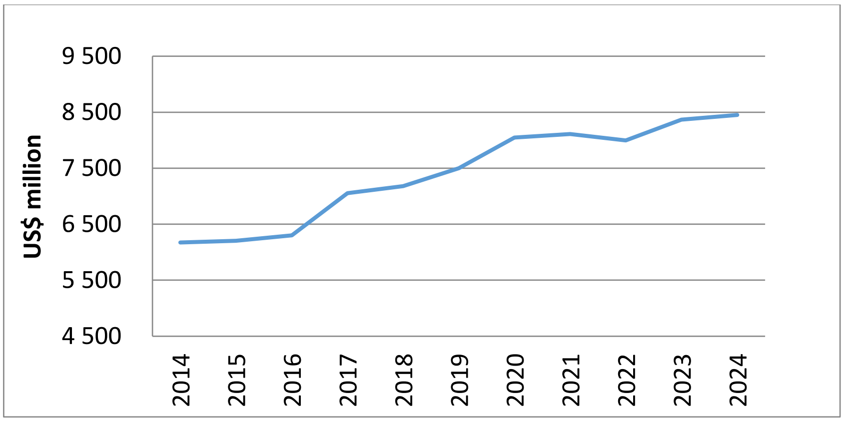


V. IFAD’s operating activities

27. During 2024, the Fund approved loans and grants totalling US$2,053.3 million (2023: US$532.4 million). Further details are provided in table 7.

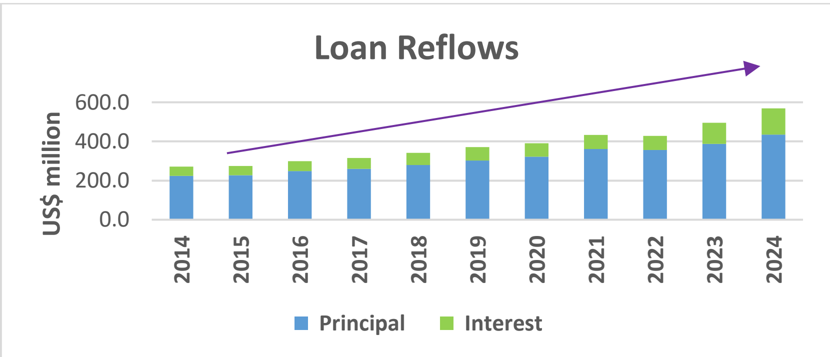
28. The balance of loans outstanding has been increasing over the years (as shown in figure 4 below). The majority of IFAD loans are provided on highly concessional terms, with a repayment period of up to 40 years. Loans are typically disbursed over an average of seven years.

Figure 4
Outstanding loan balance 2014–2024



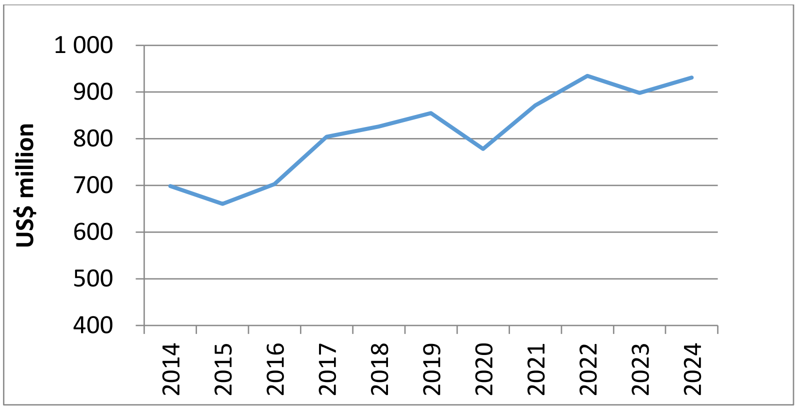
29. During 2024, loan repayments continued to present an upward trend, reaching the record level of US$569.8 million.

Figure 5
Loan repayments 2014–2024



30. Overall, annual disbursements to IFAD-funded projects through loans and grants have increased over the years (see figure 6 below).

Figure 6
Yearly disbursements 2014–2024



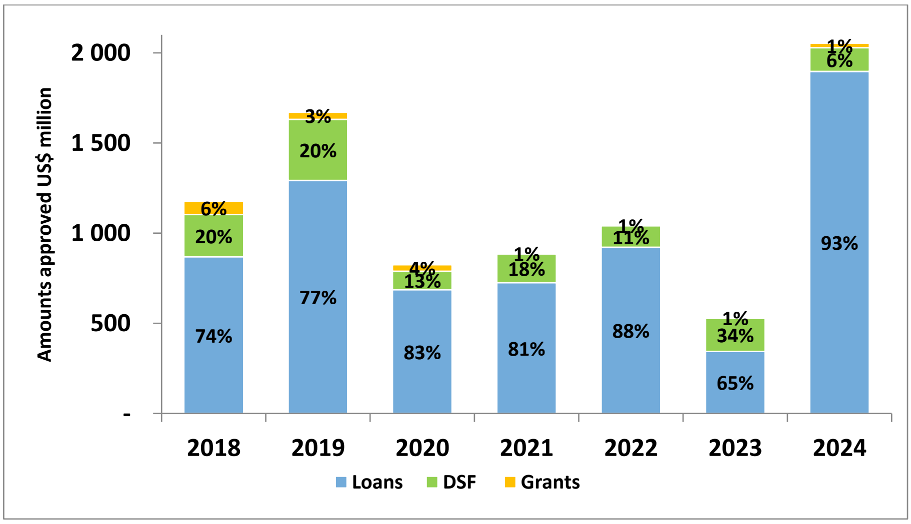
31. Table 7 and figure 7 provide a summary of the volume of operational activities and loan approvals by product type.

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

	2024	*2023*	*2022*	*2021*	*2020*	*2019*
Approvals						
Loans	1 896.5	344.8	921.5	724.6	685.5	1 292.2
Grants to countries in high debt distress*	131.9	181.6	118.8	159.7	103.4	339.6
Grants	24.9	6	3.0	7.6	35.2	39.4
Total approvals	**2 053.3**	**532.4**	**1 043.3**	**891.9**	**824.2**	**1 671.2**
Outstanding/undisbursed						
Net loans outstanding	8 450.7	8 367.3	7 997.9	8 110.6	8 049.9	7 501.4
Undisbursed loans	4 874.9	4 014.3	4 409.8	4 476.3	4 747.3	4 527.5
Undisbursed DSF	830.3	887.0	887.3	965.3	1 005.1	1 061.5
Undisbursed grants	55.8	54.2	82.1	116.5	158.0	123.6
Disbursements						
Loan disbursements	736.5	691.4	735.5	662.8	558.4	626.0
DSF disbursements	172.5	178.1	165.1	163.9	172.4	174.7
Grant disbursements	21.7	28.7	33.3	44.4	47.3	54.1
Total disbursements	**930.7**	**898.2**	**933.9**	**871.1**	**778.1**	**854.8**
Loan repayments	**569.8**	**495.5**	**427.8**	**432.6**	**390.5**	**370.5**
Cancellations/reductions	**179.9**	**113.1**	**124.9**	**216.7**	**91.8**	**44.1**

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

Figure 7
Loan, DSF and grant approvals by year
(Amounts approved and related percentages)



VI. IFAD's financing activities

32. In February 2024, the Governing Council adopted resolution 235/XLVII on the Thirteenth Replenishment of IFAD's Resources, and IFAD13 became effective in August 2024. In line with IFAD's replenishment cycles, additional instruments of contribution were received in 2024, mainly for IFAD13. This is reflected in an increase in equity (contributions) to US$11.2 billion at the end of 2024 (US$10.4 billion in 2023).

33. During 2024, IFAD encashed additional borrowing for an amount equivalent to US$308.6 million from concessional partner loans and private placements. During the year, repayments for borrowing principal instalments and interest amounted to US$129.9 million (US$112.8 million in 2023).

34. At the end of December 2024, overall borrowing liabilities amounted to US$2.4 billion (2023: US$2.2 billion). The resulting debt-to-capital available ratio stood at 31.3 per cent (29.0 per cent at the end of December 2023).

VII. IFAD's sustainability-related and environmental, social and governance reporting

35. Since 2023, IFAD has published an impact report in line with its Sustainable Development Finance Framework and the principles of the International Capital Market Association (ICMA).

36. The report provides information about the use of proceeds, allocation and expected results from a pool of projects financed through the issuance of four sustainable bonds in 2023 and in 2022, for a total amount of US$344 million.

37. These four sustainable bonds were issued under IFAD's Euro Medium-Term Note Programme, which is a full "use of proceeds" programme, as 100 per cent of bond proceeds will support the financing of development projects. Accordingly, all IFAD issuances will be sustainable bonds.

38. In 2022, IFAD became a voting member of the ICMA Principles and, as an environmental, social and governance (ESG) issuer, is committed to upholding the highest international standards and guidelines, as outlined by ICMA, with the ultimate goal of connecting global capital markets to rural and agricultural development.

39. As shown in the impact report, with the proceeds of these bonds, IFAD plans to reach almost 8 million people; provide more than 1.6 million people with targeted support to improve their nutrition; construct or rehabilitate water-related infrastructure on 45,600 hectares of land; bring 117,317 hectares of land under climate-resilient practices; and promote the empowerment and decision-making of 654,000 individuals. These are only some of the results expected from the financing.

40. Through these endeavours, IFAD contributes directly to 10 Sustainable Development Goals (SDGs) and indirectly to 16 SDGs.

41. IFAD publishes an impact report each year to show incrementally how the proceeds of its bonds are supporting its mission and target population.

42. Throughout 2024, IFAD undertook several steps to adopt requirements that ensure compliance with IFRS Sustainability Standards S1 and S2. The first IFAD Sustainability Disclosure Report is corollary to the consolidated financial statements. The report is the result of a collegial effort involving the proactive support of several divisions and engagement with Audit Committee members.

43. This sustainability report provides information about IFAD's climate-related risks and opportunities for the 12-month period ended 31 December 2024. It considers

the relevant disclosure elements from IFRS S2: Climate-related Disclosures, together with relevant disclosure elements from IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information on governance, strategy, risk management, metrics and targets.

44. The report is comprehensive and focuses on climate-related disclosures. It builds on documents already published by IFAD, for example the Report on IFAD's Development Effectiveness (RIDE), the Report on IFAD's Mainstreaming Effectiveness (RIME) and the Climate Action Report.

45. To ensure successful implementation of the IFRS Sustainability Disclosure Standards (IFRS SDS), IFAD has adopted a structured approach as follows:

- Conducting a gap analysis to understand how IFAD compares with IFRS SDS requirements, and to identify material topics that could reasonably impact IFAD's financial prospects and the relevant components of IFAD's value chain (as described in table 8);
- Performing a materiality assessment in relation to the topics and related impacts, risks and opportunities;
- Identifying suitable indicators and targets to measure material risks and opportunities (if not already established);
- Developing a multi-year plan for sustainability disclosure reporting and related controls over ESG reporting;
- Measuring such material sustainability risks and opportunities during the year;
- Presenting the IFRS sustainability disclosure report, articulating governance, strategies, risk management, metrics and targets for each material topic, in addition to the consolidated financial statements; and
- Ensuring alignment to best industry standards thanks to proactive participation in international financial institution forums and close partnership with the IFRS Foundation.

46. Relevant topics have been summarized in 17 sustainability-related disclosure topics[2] as per table 8 below:

[2] This report presents all 17 topics for completeness of the materiality assessment process. However, this report is focused only on climate-related risks and opportunities disclosures in line with IFRS S2.

Table 8
Sustainability topics

Number	*Sustainability-related disclosure topics [a] identified*	*ESG category [b]*	*Value chain component [c]*
1	Climate change adaptation	E	Internal activities, downstream operations
2	Climate change mitigation	E	Internal activities, downstream operations
3	Biodiversity	E	Internal activities, downstream operations
4	Water	E, S	Internal activities, downstream operations
5	Waste	E	Internal activities, downstream operations
6	Pollution	E	Internal activities, downstream operations
7	Sustainable funding	E, S	Entire value chain [d]
8	Financial inclusion and market access	S	Downstream operations
9	Resettlement	S	Downstream operations
10	Diversity, equity and inclusion	S	Internal activities, downstream operations
11	Working conditions - own workforce	S	Internal activities
12	Working conditions - workforce in the value chain	S	Downstream operations
13	Communities' economic, social and cultural rights	S	Downstream operations
14	Beneficiaries and end-users' rights	S	Downstream operations
15	Incorporation of ESG factors in credit analysis and investments	G	Internal activities
16	Business ethics	G	Internal activities, downstream operations
17	Data security	S, G	Entire value chain

[a] IFRS S1 and S2 define a disclosure topic as a specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS SDS or a Sustainability Accounting Standards Board (SASB) Standard.

[b] ESG categories are the categories used to cluster sustainability topics in this report. There are other forms of categorization anticipated in different sustainability reporting frameworks/sources of guidance.

[c] See section IV(A) of the sustainability report on IFAD's business model and value chain for additional information. As per IFRS S1, the value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations. Sustainability-related risks and opportunities can occur throughout the value chain, generating potential and/or actual financial effects for the organization.

[d] Entire value chain covers upstream activities, internal activities and downstream operations.

47. Of these 17 topics, climate adaptation, climate change mitigation, biodiversity, water, waste, pollution and sustainable funding were identified as related to environment, climate and biodiversity.

48. As per best practice and requirements of the IFRS SDS, IFAD has associated relevant topics with related sustainability impacts, risks and opportunities (IROs) that could reasonably be expected to affect IFAD operations and financial prospects. The exercise was extensive and included a materiality assessment at the subtopic level as well.

49. Relevant stakeholders were involved in the identification and evaluation of the sustainability topics and the IROs. These activities included interacting with internal stakeholders as subject matter experts and with external stakeholders such as Audit Committee members, thus involving IFAD Member States. Thresholds were established for the IROs. These thresholds were derived from the average scores assigned to each IRO. Any IRO scoring at or above these thresholds was considered potentially significant for IFAD.

VIII. IFAD-only financial statements

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

A. Balance sheet (appendix A)

Assets

51. **Cash and investments.** In 2024, the value of the cash and investment portfolio, including investment receivables and payables, increased to approximately

US$1.8 billion (US$1.6 billion in 2023). This is consistent with the adopted replenishment scenarios and the liquidity policy. Detailed information is included in the Report on IFAD's Investment Portfolio for 2024.

52. **Receivables in respect of instruments of contribution and promissory notes.** Net receivables increased to US$666 million at the end of 2024 (US$326.3 million at the end of 2023). This is in line with the IFAD12 and IFAD13 cycles.

53. **Loans outstanding.** Loans outstanding, net of accumulated allowances for loan impairment losses and the HIPC Initiative, totalled US$8.5 billion in 2024 (2023: US$8.4 billion). This increase was a result of the net effect of additional disbursements, loan repayments, exchange rate movements and the movement in the loan impairment allowance (see table 8 below).

Table 9
Loans outstanding
(Millions of United States dollars)

	2024	*2023*
Loans outstanding (principal)	8 648.7	8 601.1
Interest receivable	37.5	42.2
Loans outstanding at nominal value*	**8 686.2**	**8 643.3**
Accumulated allowance for loan impairment losses**	**(147.3)**	**(174.6)**
Accumulated allowance for HIPC	**(88.2)**	**(101.4)**
Net loan outstanding	**8 450.7**	**8 367.3**

***** Balances as at 31 December.

** Balance pertaining to ECL and Haiti Debt Relief.

54. **Allowance for loan impairment losses.** As reported above, the allowance is calculated in accordance with IFRS 9. Loan impairment losses amounted to US$147.3 million at the end of 2024 (2023: US$174.6 million) encompassing an expected credit loss allowance of US$139.2 million and the provision of US$8.1 million for Haiti Debt Relief to be absorbed by IFAD.

55. **HIPC Initiative allowance.** During 2024, IFAD has been able to provide full debt relief to Somalia, thereby clearing all historical balances outstanding. The HIPC allowance decreased to US$88.2 million (US$101.4 million in 2023). 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$497.9 million, which includes US$388.4 million in principal and US$109.5 million in interest.

Liabilities and equity

56. **Borrowing liabilities.** At the end of December 2024, borrowing liabilities amounted to the equivalent of US$2,443.1 million (US$2,249.7 million in 2023).

57. **Contributions**. Table 10 below provides key information on the status of IFAD12 and IFAD13 for the years ended 31 December 2024 and 2023.

Table 10
Key contributions flows
(Millions of United States dollars at replenishment exchange rates)

*IFAD12**	*2024*	*2023*
Pledges		
Pledges regular resources (A)	1 281.6	1 280.3
Instruments of contribution received (B)	1 262.3	1 189.1
Outstanding pledges (A)-(B)	19.2	91.2
Total cumulative payments received	1 260.2	882.7

*IFAD13***		
Pledges		
Regular resources	1 359.7	1 126.5
Additional climate contributions	51.3	34.1
Cumulative pledges to date (A)	1 410.9	1 160.6
Instruments of contribution received (B)	908.5	1.1
Outstanding pledges (A)-(B)	502.4	1 159.5
Total cumulative payments received	121.7	1.1

* In February 2021, the Governing Council adopted resolution 219/XLIV on the Twelfth Replenishment of IFAD's Resources.
** In February 2024, the Governing Council adopted resolution 235/XLVII on the Thirteenth Replenishment of IFAD’s Resources.

58. Full details of Member States’ contributions are shown in appendix G of the consolidated financial statements.

B. Statement of comprehensive income (appendix B)

Revenue

59. Income from loan interest and service charges amounted to US$131.7 million in 2024 (US$123.6 million in 2023).

60. Income from cash and investments increased to US$89.1 million (US$79.6 million in 2023).

Expenses

61. Expenses reported in 2024 include those incurred under the annual administrative expenses budget in that year and 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 2024 and 2023 (see appendix B).

Table 11
Operating expenses
(Millions of United States dollars)

Operating expenses	*2024*	*2023*	*Movement +(-)*
Staff salaries and benefits			
Staff salaries and post-adjustments	73.9	67.2	6.7
Other allowances*	46.5	42.9	3.6
Subtotal	**120.4**	**110.1**	**10.3**
Office and general expenses	32.2	31.7	0.5
Consultants and other non-staff costs	49.7	52.7	(3.0)
Direct investment costs	4.4	1.6	2.8
Total	**206.7**	**196.1**	**10.6**
Depreciation	**12.8**	**12.4**	**0.4**

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

62. The total balances shown above include expenses funded from other sources for US$18.4 million (US$14.1 million in 2023). These funds were mainly provided by the Government of Italy in the case of reimbursable expenses (US$10.1 million in 2024 and US$8.4 million in 2023) matched by associated revenue.

63. The above balances also include local staff costs for IFAD country offices (ICOs) totalling US$9.0 million in 2024 (US$7.5 million in 2023), and ICO operating and consultancy expenses of US$4.7 million (US$4.7 million in 2023). 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.

64. **Staff salaries and benefits.** Staff salaries and post-adjustments increased to US$120.4 million from approximately US$110.1 million in 2023. This trend is the result of a higher number of full-time equivalent positions during 2024 to cover vacant posts.

65. **Office and general expenses and depreciation.** In 2024, office and general expenses increased to US$32.2 million from US$31.7 million in 2022. Depreciation remained stable at approximately US$12.8 million.

66. **Consultants and other non-staff costs.** The decrease from US$52.7 million in 2023 to US$49.7 million in 2024 reflects the lower volume of services provided by consultants and other organizations.

67. **Exchange rate movements.** A detailed analysis is provided in paragraphs 18 to 20 above.

68. **After-service medical benefits.** In 2024, 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 2024 ASMCS actuarial valuation calculated a liability of US$104.7 million at the end of 2024 (US$109.1 million at the end of 2023). IFAD recorded a net charge for current service costs of US$3.2 million during 2024 (comprising interest costs and current service charges). This resulted in a net unrealized actuarial gain of US$7.6 million (compared to an unrealized actuarial loss of US$1.4 million in 2023). The change in liability was caused principally by the prevailing market conditions which also affected the discount rate used in the 2024 valuation of 4.3 per cent for international staff and 5.6 per cent for national staff (respectively 3.9 per cent and 4.9 in 2023).

Statement of changes in retained earnings (appendix B1)

69. 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$2.5 billion at the end of 2023 to negative US$3.0 billion at the end of 2024. The total annual comprehensive loss of US$456.0 million for 2024 contributed to the aforementioned retained earnings balance.

70. The net loss of US$456.0 million in 2024 comprises: revenue of US$239.6 million, unrealized foreign exchange rate losses of US$209.9 million, grant expenses of US$186.4 million; operating expenses (including staff, consulting services and supplier expenses) of US$206.7 million; loan interest expenses of US$96.2 million, actuarial gains of US$7.6 million, and reversal of loan allowances for impairment losses and HIPC expenses of positive US$27.9 million; and other expenses of US$31.9 million.

71. 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.

72. 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.[3]

73. Considering that at the end of 2024, the Fund reported a net comprehensive loss of US$456.0 million and that net retained earnings remain negative at approximately US$3.0 billion, a transfer to the General Reserve at the end of 2024 is not recommended.

C. Adjusted statement of comprehensive income

74. To better represent IFAD's yearly results, an adjusted statement of comprehensive income is put forward to provide details considering the peculiarities of IFAD's business model that are not impacted by accounting estimates. The below report is not an IFRS-compliant statement, but rather a managerial report.

75. IFAD statement of comprehensive income is adjusted to exclude the following items:

- **Development finance items.** This relates to grant expenses (mainly to indebted countries) provided for HIPC. From an accounting perspective, these items are treated as expenses, although they are funded directly by replenishment contributions (equity).
- **Gains and losses from currency exchange rate movements.** IFAD conducts its operations in several currencies. Fluctuations in the United States dollar vis-à-vis the other currencies and in particular the SDR exchange rate have long created volatility in IFAD's accounts. The conversion of such items into 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 and do not necessarily represent a financial risk.
- **Actuarial gains/losses for post-employment benefit scheme.** IFAD has established a Trust Fund to set aside the assets necessary to fund the post-employment benefit scheme. Assets held in the Trust Fund are sufficient to cover in actuarial terms.

76. The IFAD-adjusted result for fiscal year 2024 was negative US$96.7 million compared with negative US$72.8 for 2023. Fiscal year 2024 was characterized by a larger volume of income from loans partially compensated by larger volumes of interest expenditure on borrowing liabilities.

[3] 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".

Table 12
Adjusted statement of comprehensive income
(Thousands of United States dollars)

	2024	*2023*
Revenue		
Income from loans	131 729	123 572
Income/(losses) from cash and investments	89 060	79 633
Other income	18 794	18 168
Total revenue	**239 584**	**221 375**
Operating expenses	(208 105)	(194 922)
Interest expenditure on financial liabilities and leases	(96 179)	(77 507)
Depreciation	(12 802)	(12 428)
Total expenses	**(317 086)**	**(284 857)**
(Loss)/profit hedge accounting	(19 160)	(9 281)
Net (loss)/profit a	**(96 662)**	**(72 763)**

Reconciliation to statement of comprehensive income		
Operating expenses charged under the IFAD Climate Facility	1 428	(1 168)
Grant expenses	(186 416)	(183 247)
HIPC Initiative expenses gains	8 120	6 875
Allowance loan impairment losses	19 785	(22 007)
Change in provision for ASMCS benefit	7 629	(1 361)
Foreign exchange movements	(209 894)	42 494
Subtotal reconciling items b	**(359 348)**	**(158 414)**
Total comprehensive (loss)/income (a+b)	**(456 010)**	**(231 177)**

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

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

78. IFAD grant disbursements decreased to US$21.7 million (US$28.7 million in 2023).

79. Disbursements to countries in high debt distress (former DSF) amounted to US$172.5 million in 2024 (US$178.1 million in 2023).

80. IFAD loan disbursements amounted to US$736.6 million in 2024 (US$691.4 million in 2023).

81. During 2024, IFAD encashed additional borrowings, including concessional partner loans, of US$308.6 million (US$360.2 million in 2023). Over the year, IFAD repaid borrowing liabilities – principal and interest – in the amount of US$129.9 million (US$112.8 million in 2023).

82. Receipts for cash and promissory notes as replenishment contributions totalled US$521.5 million in 2024 (US$412.5 million in 2023).

83. Receipts for non-replenishment contributions totalled US$18.5 million in 2024 (US$13.9 million in 2023).

IX. Internal controls over financial reporting and risk governance

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

85. 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.

86. 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.

87. 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 five divisions and identifying 80 key controls.

88. During 2024, IFAD continued to strengthen its anti-money laundering and countering the financing of terrorism and sanction screening and related risk 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.

89. 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 of more than 75 days as at 31 December 2024.

Table 1
Year-on-year comparison of arrears by region
(As at 31 December 2024)

		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 2023	32	3 843	1 058	4 900	5%
As at 31 Dec 2024	33	3 288	983	4 271	4%
East and Southern Africa					
As at 31 Dec 2023	1	311	32	343	0%
As at 31 Dec 2024	3	568	100	668	1%
Asia and the Pacific					
As at 31 Dec 2023	3	24 824	4 530	29 355	28%
As at 31 Dec 2024	5	26 829	5 106	31 936	29%
Latin America and the Caribbean					
As at 31 Dec 2023	7	5 288	1 581	6 869	6%
As at 31 Dec 2024	8	6 699	2 509	9 208	8%
Near East, North Africa and Europe					
As at 31 Dec 2023	39	51 947	13 155	65 102	61%
As at 31 Dec 2024	39	53 405	10 464	63 869	58%
Total all regions					
As at 31 December 2023	82	86 213	20 356	106 569	
As at 31 December 2024	87	90 789	19 162	109 952	

Note: 2023 figures reclassified according to the established de minimis threshold.