



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board - Sixty-Third Session

Rome, 22 - 23 April 1998

**REQUIREMENTS FOR THE NINETEENTH DRAWDOWN OF MEMBERS'
CONTRIBUTIONS IN 1998**

1. This document outlines the provisions in the Agreement Establishing IFAD regarding drawdowns and describes a provision for an accelerated encashment of promissory notes. It takes into account discussions at the Special Committee on IFAD's Resource Requirements and Related Governance Issues (the Special Committee) and related decisions of IFAD's governing bodies. Based on estimates of loan and grant disbursements for 1998, it proposes a level of drawdown of members' contributions for 1998.
2. Article 4, Section 5(c) of the Agreement Establishing IFAD, provides:

"(c) Contributions to the Fund shall be made in cash or, to the extent that any part of such contributions is not needed immediately by the Fund in its operations, such part may be paid in the form of non-negotiable, irrevocable, non-interest-bearing promissory notes or obligations payable on demand. In order to finance its operations, the Fund shall draw down all contributions (regardless of the form in which they are made) as follows:

 - (i) contributions shall be drawn down on a pro rata basis over reasonable periods of time as determined by the Executive Board;
 - (ii) where a contribution is paid partly in cash, the part so paid shall be drawn down, in accordance with paragraph (i), before the rest of the contribution. Except to the extent that the part paid in cash is thus drawn down, it may be deposited or invested by the Fund to produce income to help defray its administrative and other expenditures;
 - (iii) all initial contributions, as well as any increases in them, shall be drawn down before any additional contributions are drawn down. The same rule shall apply for further additional contributions."
3. At its Seventeenth Session in January 1994, the Governing Council established the Special Committee. Part of its mandate was to review the modalities of financing IFAD's operations, including the question of its liquidity levels. In light of the Special Committee's mandate, the Executive Board, at its Fifty-First Session in April 1994, agreed to withhold notification of the second tranche of the 1994



drawdown. At its Fifty-Second Session in September 1994, the Executive Board agreed to the President's proposal that suspension of the call for the second tranche of the 1994 drawdown should be maintained in order for the Executive Board to reconsider the issue in light of decisions to be taken by the Governing Council. The Special Committee reported to the Eighteenth Session of the Governing Council in January 1995, and recommended a policy of no further build-up in nominal terms of the level of IFAD's liquidity, including the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, over the three-year period of the Fourth Replenishment. A reduction over the longer term was also called for. This policy was to be implemented in the first year by drawing down in the ratio of 65% from internally generated resources to 35% from members' contributions. This ratio would be reviewed annually by the Executive Board and a revision of the ratio would be made as appropriate.

4. The President recommended to the Executive Board that implementation of the intentions of the Special Committee should commence with the sixteenth drawdown. Accordingly, the Executive Board approved the sixteenth drawdown in the amount of USD 73.5 million in one tranche in April 1995 to cover 35% of the 1995 loan and grant disbursement programme.

5. The Executive Board, at its Fifty-Seventh Session, approved a drawdown of up to USD 204.2 million for 1996. A tranche of 35% was called from contributions in April 1996. At the same session, the Board also decided that a second tranche of 65% might be called in September 1996, based upon the Executive Board's review of the status of the Fourth Replenishment and the financial sustainability of the institution. The President, at the Fifty-Eighth Session of the Executive Board in September 1996, recommended the postponement of the discussion on the call for the second tranche until December 1996, so that the outcome of the review of the issues and options of IFAD's resource requirements could be taken into account when making policy recommendations.

6. The Executive Board, at its Fifty-Ninth Session in December 1996, approved the drawdown from members' contributions for 1996 to be effected by means of the first tranche of 35% that was called in April 1996 and by Member States providing the balance 65% in the form of advance encashments and/or cash contributions, as appropriate. Advance encashments and/or cash contributions greater than the minimum of 35% were to be considered as voluntary. This flexible policy was continued in 1997.

7. Eleven Member States responded positively to the second voluntary tranche of the seventeenth drawdown called in December 1996. The total amount received by IFAD from these eleven Member States amounted to USD 16.4 million. For the voluntary second tranche of the eighteenth drawdown called in July 1997, only three Member States responded positively and the amounts encashed amounted to USD 1.9 million. In addition, a number of Member States have used the opportunity for more flexible drawdown arrangements by agreeing individual drawdown schedules with the Fund. In view of the differing preferences of Member States, the President recommends a drawdown of 35% of estimated loan and grant disbursements for 1998 while strongly urging members to make use of this flexible policy to voluntarily accelerate encashment of their promissory notes.

8. IFAD's loan disbursements have been projected on coefficients derived from an International Development Association (IDA) model based on the disbursement experience over a period of ten years involving 702 IDA loans for agriculture and rural development. The Fund's experience with its loan disbursement projections has varied from time to time from this model due to the number of disbursing projects, the regional distribution, the different target groups and the different economic situation existing from when the model was developed. Nevertheless, certain important elements of the model have proved valid and therefore, recognizing the difficulty of forecasting future requirements, the projections for 1998 have continued to be based on the model, albeit further modified to reflect the Fund's actual experience wherever possible.



9. The Executive Board will recall that the amount called each year is adjusted to reflect the difference between the total drawdown and the total disbursed in the previous year. Thus, as can be seen from Annex III, the excess actual encashment from the previous year, as shown in the last column, is USD 22.4 million due to significant receipts of outstanding drawdown amounts from the Libyan Arab Jamarihiya, Nigeria, Qatar and the United Arab Emirates, as detailed at Annex III. The projected requirement for 1998 for loan and grant disbursements amounts to USD 296 million. This requirement is reduced by the over-drawn brought forward of USD 22.4 million, resulting in a net drawdown requirement for 1998 of USD 273.6 million.

10. As at 20 February 1998, the USD equivalent of Third Replenishment instruments of contribution of all Member Countries was USD 557 million. There are some members who have for some time not paid calls against previous drawdowns. The Fund will make every effort to secure encashment of these promissory notes. In accordance, however, with the revised procedure for the calculation of drawdowns of members' contributions approved by the Executive Board at its Fifty-Fifth Session in September 1995, no increase in the drawdown call will be made to cover anticipated non-payment of drawdown calls. The amount of the drawdown, to meet 35% of projected loans and grants disbursements for 1998, is therefore being proposed at USD 95.8 million, which represents 17.20% of the Third Replenishment contributions.

11. For the information of the Executive Board, an estimate of future disbursements and expected drawdowns based on exchange rates as at 20 February 1998, is shown in Annex I.

12. Annex II provides a listing of drawdown calls unpaid by members in provision status as at 31 December 1997.

13. Annex III shows the approved drawdowns, the amounts called and the actual drawdown and disbursements.

14. Annex IV shows the source of funding for disbursements from 1978 to 1997.

Recommendation

15. Upon concluding its consideration of this item, the Executive Board may wish to adopt the following decision:

"The Executive Board, in accordance with Article 4, Section 5(c), of the Agreement Establishing IFAD and Regulation V of the Financial Regulations of IFAD, approves the drawdown of 35% of USD 273.6 million, which amounts to USD 95.8 million, in April 1998 to meet loan and grant disbursements for 1998, which shall be effected by drawing down from the contributions to the Third Replenishment and authorizes the President to proceed accordingly. The Executive Board encourages Member States to accelerate the encashment of their promissory notes over and above the minimum requirement."



ESTIMATES OF FUTURE DRAWDOWNS ^{1/}

	1997	1998	1999	2000	2001
TOTAL POSITION					
Cumulative percentages drawn down to 31 December					
- Initial Contributions	100.00	100.00	100.00	100.00	100.00
- First Replenishment	100.00	100.00	100.00	100.00	100.00
- Second Replenishment	100.00	100.00	100.00	100.00	100.00
- Third Replenishment	20.07	37.27	57.88	79.56	100.00
- Fourth Replenishment					1.15
Expected drawdown at 35%					
- Third Replenishment		17.20	20.61	21.68	20.44
- Fourth Replenishment					1.15
Based on: (USD million)					
- Projected disbursements		296	328	345	339
Current value of members' contributions					
- Third Replenishment		557	557	557	557
- Fourth Replenishment					419

^{1/} These estimates are based on exchange rates as at 20 February 1998. Future movements in the exchange rates would impact *inter alia* the projected disbursements, the value of members' contributions at the time of the drawdowns and the estimated percentage for drawdown. The estimates also assume that the projected disbursements figure will be attained and that there will be no amount carried forward from 1998 into 1999, from 1999 into 2000 and from 2000 into 2001.



ANNEX II

SUMMARY OF CALLS UNPAID BY MEMBERS IN PROVISION STATUS

(Expressed in US dollars)

As at 31 December 1997

Source	Drawdown Number	Country	Date	Unpaid Call	Total per Drawdown	Total per Replenishment
Initial Contributions	2nd	Iran	1/81	6 102 000	6 102 000	
		Iran	1/82	14 624 430	14 624 430	
	3rd	Iran	1/83	19 443 070	21 559 870	
		Iraq	1/83	<u>2 116 800</u>		
	5th	Iran	9/83	5 177 125	6 007 125	
		Iraq	9/83	<u>830 000</u>		
	6th	Iran	1/84	15 431 575	34 117 575	
			7/84	13 972 000		
		Iraq	1/84	2 474 000		
			7/84	<u>2 240 000</u>		
		7th	Iran	1/85		
	Iraq	7/85	16 404 625	3 426 000		
		1/85	3 426 000			
		Iran	7/85	2 630 000	7 000	43 837 300
Total Initial Contributions						126 248 300
First Replenishment contributions	8th	Iraq	1/86	4 695 950	8 552 388	
			7/86	3 762 978		
	9th	Iraq	7/86	<u>93 460</u>		9 015 800
			1/87	3 980 672		
		7/87	2 239 128			
	Qatar	1/87	1 789 440	<u>1 006 560</u>		
		7/87	1 006 560			
	10th	Iraq	1/88	2 969 955		8 348 631
			7/88	2 789 580		
		Qatar	1/88	1 335 090		
	Qatar	7/88	<u>1 254 006</u>	8 781 389		
		1/89	3 192 312			
	11th	Iraq	7/89	2 865 773		1 435 047
			1/89	1 435 047		
		Qatar	7/89	<u>1 288 257</u>		
12th	Iraq	1/90	3 078 801	6 671 692		
		7/90	1 523 851			
	Qatar	1/90	1 384 020			
		7/90	685 020			
Total First Replenishment Contributions						41 369 900
Second Replenishment contributions	12th	Iraq	7/90	155 200	543 200	
			7/90	<u>388 000</u>		
	13th	Qatar	1/91	331 000		1 806 700
			7/91	185 200		
		Qatar	1/91	827 500		
	Iraq	7/91	<u>463 000</u>	1 694 393		
		1/92	323 600			
	14th	Iraq	7/92	156 400		1 694 393
			Mauritania ^{1/}	7/92		
		Qatar	1/92	809 000		
	Qatar	7/92	<u>391 000</u>	1 543 895		
		1/94	424 400			
	15th	Iraq	1/94	1 061 000		1 543 895
			Gabon	1/94		
		Mauritania ^{1/}	1/94	<u>5 305</u>		
	16th	Iraq	5/95	250 400		1 067 330
			Qatar	5/95		
		Gabon	5/95	187 800		
Mauritania ^{1/}		5/95	<u>3 130</u>			
17th	Iraq	5/96	173 800	740 822		
		Qatar	5/96		434 500	
	Gabon	5/96	130 350			
	Mauritania	5/96	<u>2 172</u>			
Total Second Replenishment Contributions						7 396 340
Third Replenishment contributions	17th	Qatar	5/96	38 500	39 848	
			Mauritania	5/96		963
	18th	Sao Tome	5/96	385		162 200
			Qatar	5/97		
		Mauritania	5/97	4 055		
Sao Tome	5/97	<u>1 622</u>	167 877			
Total Third Replenishment Contributions						207 725
Grand Total Calls Unpaid by Members in Provision Status						175 222 265

1/ Subsequent to 31 December 1997, an amount of USD 22 828 has been received from Mauritania in payment of its fourteenth, fifteenth and sixteenth drawdowns. As a result of this payment, Mauritania is no longer in provision status.



SUMMARY OF DRAWDOWNS 1978-1997 (USD million)							
Drawdowns	Approved Drawdown	AMOUNT CALLED		ACTUAL DRAWDOWN		DISBURSEMENTS FROM DRAWDOWNS For Year	OVER/(UNDER) Drawdown/Disbursement Adjusted in Following Year
		For Year	Cumulative	For Year	Cumulative		
1978 first	100	100	100	100	100.0		
1979	-	-	100	-	100.0	5.4	
1980	-	-	100	-	100.0	53.7	
1981 second	50	50	150	44	144.0	78.6	6.3
1982 third	125	125	275	111	255.0	110.2	7.1
1983 fourth and fifth	190	190	465	161	416.0	156.5	11.6
1984 sixth	238	226	691	192	608.0	211.0	(7.4)
1985 seventh	286	286	977	242	850.0	216.0	18.6
1986 eighth	290	265	1 242	249	1 099.0	231.2	36.4
1987 ninth	260	205	1 447	192	1 291.0	218.3	10.1
1988 tenth	205	200	1 647	188	1 479.0	200.4	(2.3)
1989 eleventh	215	205	1 852	191	1 670.0	191.0	(2.3)
1990 twelfth	207	200	2 052	193	1 863.0	165.6	25.1
1991 thirteenth	189	145	2 197	142	2 005.0	158.6	8.5
1992 fourteenth	186	138	2 335	121 ^{1/}	2 125.5	142.1	(13.1)
1994 fifteenth ^{2/}	233	115	2 450	134 ^{3/}	2 259.5	120.9 ^{4/}	
1995 sixteenth	73.5	73.5	2 523.5	69.1 ^{5/}	2 328.6	58.2 ^{6/}	10.9
1996 seventeenth	71.4 ^{7/}	71.4	2 594.9	74.3 ^{8/}	2 402.9	83.1 ^{9/}	2.1
1997 eighteenth	90.8 ^{10/}	90.8	2 685.7 ^{11/}	107.6 ^{12/}	2 510.5	87.3 ^{13/}	22.4

^{1/} This amount includes USD 3 303 496 received as encashment of part of the remaining balance of the First Replenishment promissory note of the United Arab Emirates. The figure assumed that amounts outstanding totalling USD 1 255 798 and relating to Mauritania and Venezuela in respect of 1992 drawdowns would be paid by end of 1993. The amount from Venezuela has been received.

^{2/} The Forty-Seventh Session of the Executive Board in December 1992 decided to forego any drawdown of members' contributions in 1993. IFAD's disbursement needs in 1993 were met from the Fund's existing assets, i.e. loan repayments. The second tranche of the 1994 drawdown was suspended by the Executive Board at its Fifty-Second Session in September 1994.

^{3/} This amount includes USD 17 438 400 received from Saudi Arabia in payment of the fourteenth drawdown and USD 4 002 464 received from the United Arab Emirates in payment of the eleventh drawdown.

^{4/} Total disbursements for 1994 amount to USD 170.7 million. Disbursements amounting to USD 120.9 million for 1994 and the closing under-encashment of 1992 of USD 13.1 million were met from the 1994 encashment of USD 134 million. The remaining 1994 disbursements of USD 49.8 million were met from the Fund's existing resources, i.e. loan repayments.

^{5/} This amount includes USD 2 542 320 received from the United Arab Emirates in payment of the first tranche of the twelfth drawdown and is reduced by USD 5 398 400 relating to the fifteenth and sixteenth drawdown calls of the Libyan Arab Jamahiriya which have not been paid and are in provision status from 27 January 1996.

^{6/} Total disbursements for 1995 amount to USD 166.2 million. Disbursements of USD 58.2 million were met from the 1995 encashment and the remaining USD 108 million were met from the Fund's existing resources, i.e., loan repayments.

^{7/} The Fifty-Seventh Session of the Executive Board in April 1996 approved a drawdown up to USD 204.1 million and the first tranche of 35% amounting to USD 71.4 million was called in May 1996. The Fifty-Ninth Session in December 1996 called on Member States to provide the balance of 65% in the form of advance encashments and/or cash contributions.

^{8/} This amount includes USD 6 479 261 received from the United Arab Emirates in payment of the twelfth drawdown and the first tranche of the thirteenth drawdown.



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- 9/ Total disbursements for 1996 amount to USD 237.4 million. 35% of disbursements amounting to USD 83.1 million were met from the 1996 encashment and USD 8.8 million of the closing over encashment of 1995. The remaining USD 154.3 million were met from the Fund's existing resources, i.e., loan repayments.
- 10/ The Sixteenth Session of the Executive Board in April 1997 approved a drawdown of USD 259.5 million and the first tranche of 35% amounting to USD 90.8 million was called in May 1997. The second tranche of 65% was regarded as voluntary advance encashments and/or cash contributions and was called in July 1997.
- 11/ The difference between the "cumulative amounts called" and the "cumulative actual encashments" represents unpaid calls which have remained outstanding, as detailed in the attached statement (Annex II).
- 12/ This amount includes USD 6 788 800 received from the Libyan Arab Jamahiriya in payment of all outstanding Second Replenishment drawdowns. It also includes payment by Nigeria of its outstanding amounts against the First Replenishment. In addition, it includes USD 3 709 100 from Qatar against the Eighth drawdown. It also includes USD 3 512 200 paid in 1997 by the United Arab Emirates in settlement of the thirteenth to sixteenth drawdowns and partial payment of the seventeenth drawdown.
- 13/ Total disbursements for 1997 amount to USD 249.5 million. 35% of disbursements amounting to USD 87.3 million were met from the 1997 encashment. The remaining USD 162.2 million were met from the Fund's existing resources, i.e., loan repayments.



SOURCE OF FUNDING FOR DISBURSEMENTS				
1978-1997				
(USD million)				
Year	Drawdown	Disbursements from Drawdowns for Year	Disbursements from Loan Repayments for Year	Total
1978	First	0	0	0
1979		5.4	0	5.4
1980		53.7	0	53.7
1981	Second	78.6	0	78.6
1982	Third	110.2	0	110.2
1983	Fourth and Fifth	156.5	0	156.5
1984	Sixth	211.0	0	211.0
1985	Seventh	216.0	0	216.0
1986	Eighth	231.2	0	231.2
1987	Ninth	218.3	0	218.3
1988	Tenth	200.4	0	200.4
1989	Eleventh	191.0	0	191.0
1990	Twelfth	165.6	0	165.6
1991	Thirteenth	158.6	0	158.6
1992	Fourteenth	142.1	0	142.1
1993		0	170.3	170.3
1994	Fifteenth	120.9	49.8	170.7
1995	Sixteenth	58.2	108.0	166.2
1996	Seventeenth	83.1	154.3	237.4
1997	Eighteenth	87.3	162.2	249.5
Total		2 488.1	644.6	3 132.7

Loan Repayments Available

USD million

Total loan repayments to 31.12.1997	805.9
Less: used for disbursements as above	<u>(644.6)</u>
Loan repayments available	<u>161.3</u>