



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Second Session
Rome, 25-26 April 2001

ADVANCE COMMITMENT AUTHORITY

1. This document provides background information on the Advance Commitment Authority.
2. The Governing Council unanimously adopted, by vote by correspondence on 31 July 2000, Resolution 119/XXIV on the Fifth Replenishment of IFAD's Resources. Section III, Paragraph 17, thereof refers to the Advance Commitment Authority (Annex I) and Attachment B outlines the procedures for the use of the Advance Commitment Authority (Annex II).



**SECTION III, PARAGRAPH 17 OF RESOLUTION 119/XXIV OF THE
GOVERNING COUNCIL**

III. Advance Commitment Authority

17. The Executive Board may, from time to time and having regard to the resources of the Fund available for commitment to loans and grants, including investment income and payments and repayments under loans provided by the Fund net of administrative costs, employ an Advance Commitment Authority (ACA) in a prudent and cautious manner to compensate, year by year, for fluctuations in the resources available for commitment and to act as a reserve resource. The procedures for the use of the ACA during the Replenishment Period are set out in Attachment B to this Resolution and form an integral part thereof. The ACA shall come into effect upon the adoption of this Resolution and shall terminate upon a date one year after the end of the Replenishment Period.⁴

⁴ This Resolution was completed on 20 February 2001.



ATTACHMENT B TO RESOLUTION 119/XXIV OF THE GOVERNING COUNCIL

ATTACHMENT B

PROCEDURES FOR THE USE OF THE ADVANCE COMMITMENT AUTHORITY

1. The main purpose of the Advance Commitment Authority (ACA) is to fill shortfalls in the amount of committable resources available for loans and grants that may arise in a particular year due to delays in the receipt of contribution payments under the Replenishment and/or volatility in the rate of return of investment income and/or delays in the receipt of payments and repayments under loans provided by the Fund.
2. The Executive Board shall ensure that the amount available for commitment under the ACA and related disbursement requirements remain within the limits of financial prudence, using conservative assumptions and including a margin for expected loan repayment arrears. The Executive Board shall receive projections in relation to commitments to be made under the ACA (expected loan reflows and disbursements) that include safety margins to ensure that the cash-in-hand at any point in time is sufficient to cover the disbursement needs of the Fund.
3. The ACA may only be used if the resources available for commitment (i.e. net additional resources received or accrued during the previous year, in addition to unused resources brought forward) are insufficient to complete the approved lending programme in any given year.
4. The ACA may only be used to make commitments for loans and grants.
5. The President of the Fund shall ensure that accounting mechanisms are established to show the level of the ACA used on each occasion and the loan reflows that are set aside for disbursements arising from such commitments.
6. The President of the Fund shall ensure that accounting procedures are established so that once a commitment for a loan or a grant is made under the ACA, the disbursements associated with such commitment are removed from the loan reflows subsequently received in order to avoid double counting.
7. The Executive Board shall: (i) decide the maximum amount that may be made available through the ACA during the Replenishment Period; and (ii) approve the total resource commitment to be made through the ACA at each session of the Executive Board.
8. The President of the Fund shall report regularly to the Executive Board on the status of Resources Available for Commitment, including the management of the ACA. This report shall include details on resources available for commitment from assets held in freely convertible currencies (Members' contributions, investment holdings, etc.) less liabilities, commitments already made, exclusions from committable resources due to accounting provisions, the current and cumulative amount committed under the ACA, the amount of the ACA transferred to Regular Resources, and the amount that may be available under the ACA for future use, with detailed calculations and assumptions.



ANNEX II

9. As the ACA is intended for use as a measure to fill shortfalls in committable resources, all commitments made under the ACA shall be transferred and charged to the Regular Resources of the Fund as and when sufficient Replenishment contributions become available and/or investment income is earned, net of administrative expenses, to cover the commitments made under the ACA.

10. The use of the ACA shall be reviewed by the External Auditor and his findings shall form part of the regular audit of the Financial Statements of the Fund. The External Auditor's report shall be discussed with the Audit Committee of the Executive Board in the same manner as for his report on the Financial Statements of the Fund.