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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-First Session

Rome, 21-22 April 2004

REQUIREMENTS FOR THE TWENTY-FIFTH DRAWDOWN OF MEMBER STATES' CONTRIBUTIONS IN 2004

1. The present document outlines provisions in the *Agreement Establishing IFAD* regarding drawdowns. Based on estimates of loan and grant disbursements for 2004, the document proposes a level of drawdown of Member States' contributions for 2004.
2. Article 4 Section 5(c) of the *Agreement Establishing IFAD* provides that:
 - "(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 Seventy-First Session in December 2000, the Executive Board adopted a policy for a 100% drawdown of Member States' contributions. Members are allowed to enter into separate arrangements for individual encashment schedules of drawdown calls. The drawdown policy was based on the premise that these individual arrangements should not adversely affect the operational needs of the Fund and would remain in force until changed within the context of the Sixth Replenishment, if so required, or until such time as callable resources are depleted. At the time, this was intended to be a one-off, transitional measure. Instead, the number of special arrangements is increasing, with payment periods for Sixth Replenishment contributions extending also up to 2009.

4. 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 will be seen from Annex II, the excess actual encashment from the previous year (as shown in the last column) is USD 16.2 million. The projected requirement for 2004 for loan and grant disbursements amounts to USD 315.0 million. This requirement is reduced by the overdrawn amount brought forward of USD 16.2 million, resulting in a net drawdown requirement for 2004 of USD 298.8 million.

5. As at 31 December 2003, the current value of Sixth Replenishment instruments of contribution of all Member States excluded instruments of contributions from certain Members that are expected to honour their pledges in the very near future, and also Member States that are expected to announce pledges in order to reach the target level of the Replenishment. However, these amounts have been included here in order to determine the base from which contributions are being drawn down.

6. A number of Member States have not paid calls against previous drawdowns for some time. The Fund will make every effort to secure encashment of promissory notes and/or cash payments, as appropriate. However, in accordance with the procedure for the calculation of drawdowns of Member States' contributions approved by the Executive Board at its Fifty-Fifth Session in September 1995, no increase will be made in the drawdown call to cover anticipated non-payment of drawdown calls.

7. The amount of the drawdown to meet 100% of projected loan and grant disbursements for 2004 is therefore proposed at USD 298.8 million. This would require drawing down some 53.4% of Sixth Replenishment contributions. However, the 2004 drawdown currently requested reflects the minimum first instalment due (30%) for unqualified contributions under the Sixth Replenishment resolution. Based on the target level of the Replenishment, this will only cover a maximum of USD 168.0 million of the total drawdown level. The difference between the projected disbursement needs and the funds available as a result of this drawdown will be met from the Fund's liquid assets.

8. For the information of the Executive Board, an estimate of future disbursements and expected drawdowns based on the target level of the Sixth Replenishment is given in Annex I.

9. Annex II shows the cumulative approved drawdowns, the amounts called and disbursements from 1978 to 2003.

Recommendation

10. 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 30% of Sixth Replenishment contributions in May 2004 to meet loan and grant disbursements for 2004, or as may be stipulated in agreements with individual Member States. Any further funds required for disbursement needs in 2004 not otherwise covered by the drawdown of these contributions will be met from the liquid assets of the Fund. The Executive Board authorizes the President to proceed accordingly.

ESTIMATES OF FUTURE DRAWDOWNS¹
(As at 31 December 2003)

TOTAL POSITION			
	2003	2004	2005
Cumulative percentages drawn down to 31 December			
– Fifth Replenishment	100.0		
– Sixth Replenishment ²		30.0	65.0
Estimate of future drawdown in year (percentage)			
– Fifth Replenishment	39.0		
– Sixth Replenishment ²		30.0	35.0
Based on: (USD million)			
– Projected disbursements ³	305.0	315.0	330.0
Current value of Member States' contributions			
– Fifth Replenishment	397.5		
– Sixth Replenishment ⁴		290.9	290.9

¹ These estimates are based on exchange rates prevailing at 31 December 2003. Future movements in exchange rates will impact, inter alia, the projected disbursements and the value of Member States' contributions at the time of the drawdowns. The estimates also assume that the projected disbursement figure will be attained and that there will be no amount carried forward from 2004 to 2005.

² The projected disbursement requirements for 2004 would require a drawdown level of 53.4% of the Sixth Replenishment, based on the target-level value of this Replenishment. However, in accordance with the resolution on the Sixth Replenishment of IFAD's resources, Members are normally required to make payments for at least 30% of their instruments of contributions within 30 days of effectiveness, or on deposit of their instrument, if later. The second instalment of 35% will be due one year from the date of effectiveness. The above percentage drawdown estimated for 2004 reflects the minimum instalment due for unqualified contributions 30 days subsequent to the effectiveness of the Sixth Replenishment on 17 December 2003. Management draws the attention of Members to the increasing disbursement needs of the Fund, reflecting the growing loan and grant programmes. Under the 100% drawdown policy approved by the Executive Board in December 2000, these disbursement needs exceed the forecast contributions available for drawdown in 2004, as in 2003. As envisaged in paragraph 9 of the Sixth Replenishment resolution, Member States are encouraged to accelerate the payment schedules for their Sixth Replenishment contributions to the extent possible, recognizing also that certain Members are unable to do so due to financial and/or budgetary constraints.

³ Projected disbursements are based on loan and grant disbursements for the year 2003 at the exchange rate prevailing at 31 December 2003 of SDR 1.48644=USD 1.

⁴ The value of Sixth Replenishment contributions as at 31 December 2003 is deemed to be equal to the target level of the Replenishment, USD 560 million. Movements in exchange rates since the replenishment negotiations and/or decreases/increases in amounts pledged will impact on the actual value of contributions.

SUMMARY OF DRAWDOWNS

1978-2003
(USD million)

	Approved Drawdown	Amount Called		Amount Called Updated for Movements in the Provision for Overdue Contributions		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	2 125.5	142.1	(13.1)
1993 ¹	-	-	-	-	-	-	-
1994 fifteenth ¹	233	115	2 450	134	2 259.5	120.9	-
1995 sixteenth	73.5	73.5	2 523.5	69.1	2 328.6	58.2	10.9
1996 seventeenth	71.4 ²	71.4	2 594.9	74.3	2 402.9	83.1	2.1
1997 eighteenth	90.8 ³	90.8	2 685.7	107.6	2 510.5	87.3	22.4
1998 nineteenth	95.8	95.8	2 781.5	85.7	2 596.2	95.9	12.2
1999 twentieth	114.0	114.0	2 895.5	105.9	2 702.1	105.3	12.7
2000 twenty-first	123.8	123.8	3 019.3	111.4	2 813.5	103.9	20.3
2001 twenty-second	292.1	292.1	3 311.4	298.2	3 111.6	317.4	1.0
2002 twenty-third	330.5	330.5	3 641.9	336.8	3 448.4	283.7	54.1
2003 twenty-fourth	250.9	250.9	3 892.8 ⁴	263.7	3 712.1 ⁴	301.6	16.2 ⁵

¹ The Forty-Seventh Session of the Executive Board in December 1992 decided to forego any drawdown of Member States' 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.

² The Fifty-Seventh Session of the Executive Board in April 1996 approved a drawdown of 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 of the Board in December 1996 called on Member States to provide the balance of 65% in the form of advance encashments and/or cash contributions.

³ The Sixtieth 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.

⁴ The difference between the cumulative "amount called" and the cumulative "amount called updated..." represents unpaid calls that are in provision status, namely USD 180.7 million as at 31 December 2003.

⁵ Total IFAD disbursements for 2003 amounted to USD 301.6 million. Disbursements amounting to USD 263.7 were met from the 2003 encashments and USD 37.9 million from the closing over-encashment of 2002.

