



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

Rome, 1-2 December 2004

GOVERNANCE OF SUPPLEMENTARY AND COMPLEMENTARY FUNDS

Background

1. At the Eightieth and Eighty-First Sessions of the Executive Board, it was requested that an information note on complementary and supplementary contributions be presented to the Board.

Resources of the Fund

2. IFAD's resources are defined in Article 4, Section 1, of the Agreement Establishing IFAD as consisting of: (i) initial contributions; (ii) additional contributions; (iii) special contributions from non-Member States and from other sources; and (iv) funds derived or to be derived from operations or otherwise accruing to the Fund. Additional contributions are those contributions received as a result of replenishment negotiations.

Complementary Contributions

3. Complementary contributions, a subset of additional contributions, are made within a specified replenishment period. In contrast to regular replenishment contributions, a Member State does not receive commensurate votes for its complementary contributions, although they are included in the calculation of the overall replenishment level.

4. Complementary contributions are made by Member States "... without restriction as to [their] use ..." (Article 4, Section 5 (a) of the Agreement). When a Member State makes a complementary contribution, the Governing Council decides, in consultation with the contributing Member State, on the use that will be made of that contribution. This use is then specified in the resolution for the replenishment in question and approved by the Governing Council, when it adopts the replenishment resolution. The use of those complementary contributions received after the adoption of the replenishment resolution is approved by the Executive Board.

5. If the complementary contribution is to be used for an established instrument, programme framework or trust fund, the procedures relevant to the obtaining and use of funds under that instrument, programme framework, or trust fund will apply to the complementary contribution. Other uses of complementary contributions may be decided in the context of IFAD's annual programme of work and budget or by an Executive Board decision.

6. It should be noted that Member States, in making a complementary contribution, relinquish control over the funds and their use once a governing body has approved such use. Nor does the Member State receive special reports or interest earned on the resources. To date, complementary contributions have been mainly used for the Belgian Survival Fund, IFAD's trust fund for the Debt Initiative for Heavily Indebted Poor Countries and the IFAD Initiative for Mainstreaming Innovation.

Supplementary Funds

7. Supplementary funds are resources received from one or more donors for a purpose specified in an agreement between IFAD and the donor(s). The Executive Board delegated authority to the President of IFAD to receive supplementary funds from Member States in 1987. Such resources are neither received under nor considered as Article 4 resources; and they are kept distinct from all other funds held by IFAD.

8. For operational purposes, IFAD supplementary funds may be categorized broadly by purpose as follows:

- (a) **Cofinancing resources.** Resources received and administered by IFAD on behalf of donors to cofinance projects and programmes financed by IFAD loans or grants;
- (b) **Programmatic and technical assistance resources.** Funds received by IFAD to finance, on a grant basis, a range of thematic programmes and short-term technical assistance activities as agreed between the donor and IFAD, and also to cover project and programme development, implementation and evaluation expenditures;
- (c) **Associate professional officer resources.** Funds received by IFAD under the associate professional officer scheme, or similar schemes to finance junior professionals at IFAD;
- (d) **Other supplementary funds.** Funds received by IFAD to finance single-purpose projects or programmes financed by a single donor or a number of donors; and
- (e) **Funds administered by IFAD on behalf of other partner organizations hosted by IFAD.** Examples include the Global Mechanism of the United Nations Convention to Combat Desertification and the International Land Coalition.

9. Each supplementary fund agreement sets forth conditions for the use of the proceeds (i.e. the activities for which the funds may be used) and may specify reporting requirements. A management fee is also charged by IFAD to cover the cost of administering these resources. Currently, IFAD administers supplementary funds received from Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom.