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

Rome, 19-20 April 2006

**REQUIREMENTS FOR THE TWENTY-SEVENTH DRAWDOWN
OF MEMBER STATES' CONTRIBUTIONS IN 2006**

1. The present document outlines provisions in the Agreement Establishing the International Fund for Agricultural Development regarding drawdowns. Based on estimates of loan and grant disbursements for 2006, the document proposes a level of drawdown of Member States' contributions for 2006.
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 a 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 deficit in actual encashment from the previous year (as shown in the last column) is USD 9.9 million. The projected requirement for 2006 loan and grant disbursements amounts to USD 374.8 million. This requirement is increased by the underdrawn amount brought forward of USD 9.9 million, resulting in a net drawdown requirement for 2006 of USD 384.7 million.

5. 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.

6. The amount of the drawdown to meet 100% of projected loan and grant disbursements for 2006 is therefore estimated at USD 384.7 million. This would require drawing down the remaining 35% of Sixth Replenishment contributions and a theoretical 24.6% of the Seventh Replenishment based on the current target level. However, the 2006 drawdown currently requested reflects only the remaining third instalment due (35%) for unqualified contributions under the Sixth Replenishment resolution, as management expects to start drawing down Seventh Replenishment contributions only as from 2007, following effectiveness. Based on the current level of the replenishment, this drawdown will only cover a maximum of USD 188.0 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.

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

8. Annex II shows the cumulative approved drawdowns, the amounts called and disbursements from 1978 to 2005.

Recommendation

9. 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 Sixth Replenishment contributions in May 2006 to meet loan and grant disbursements for 2006, or as may be stipulated in agreements with individual Member States. Any further funds required for disbursement needs in 2006 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 DRAWDOWNS^a
(as at 31 December 2005)

	2005	2006	2007
Estimate of future drawdown in year			
– Sixth Replenishment ^b	35.0%	35.0%	
– Seventh Replenishment ^b			30.0%
Cumulative percentages drawn down to 31 December			
– Sixth Replenishment ^b	65.0%	100.0%	
– Seventh Replenishment ^b			30.0%
Based on:			
– Projected disbursements ^c	USD 363.0 million	USD 374.8 million	USD 385.2 million
Current value of Member States' contributions			
– Sixth Replenishment ^d	USD 543.1 million	USD 537.0 million	
– Seventh Replenishment ^d			USD 800.0 million

^a These estimates are based generally on exchange rates prevailing at 31 December 2005. Future movements in exchange rates will impact, inter alia, the projected disbursements and the value of Member States' contributions at the time of drawdown. The estimates also assume that the projected disbursement figure will be attained and that there will be no amount carried forward from 2006 to 2007.

^b The projected disbursement requirements for 2006 would require a drawdown level of the remaining 35.0% of the Sixth Replenishment and a theoretical 24.6% of the Seventh Replenishment based on the current target level of the Seventh Replenishment. The above percentage drawdown estimated for 2006 reflects the third and last instalment due for unqualified contributions, which is due not later than three years after the adoption of the Sixth Replenishment resolution on 19 February 2003. In accordance with the resolution on the Consultation on the Seventh Replenishment of IFAD's Resources approved on 16 February 2006, Members are normally required to make payments for at least 30% of their instrument of contribution within 30 days of effectiveness, or on deposit of their instrument, if later. The Seventh Replenishment is not yet effective, although any advance contributions may be used by the Fund for its operations unless a Member specifies otherwise in writing. To date, the Fund has received USD 587 000 in advance contributions to the Seventh Replenishment. 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 2006, as in 2005 and 2004.

^c Projected disbursements are based on loan and grant disbursements for the year 2006 using an average exchange rate of SDR 1.47 = USD 1.00. The 2005 disbursement figure reflects the actual history.

^d The value of Sixth Replenishment contributions in 2006 includes both instruments of contribution deposited as at 31 December 2005 as well as pledges made which donors are expected to honour in the very near future. The value of Seventh Replenishment contributions for 2006 represents the current target level of the replenishment, which also includes complementary contributions.

ANNEX II

SUMMARY OF DRAWDOWNS, 1978-2005
(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 ^a	-	-	-	-	-	-	-
1994 fifteenth ^a	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 ^b	71.4	2 594.9	74.3	2 402.9	83.1	2.1
1997 eighteenth	90.8 ^c	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	263.7	3 712.1	301.6	16.2
2004 twenty-fifth	298.8	298.8	4 191.6	303.2	4 015.3	328.6	(9.3)
2005 twenty-sixth	355.4	355.4	4 547.0 ^d	362.3	4 377.7 ^d	363.0	(9.9) ^e

^a The forty-seventh session of the Executive Board in December 1992 decided to forgo 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.

^b 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.

^c 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.

^d The difference between the cumulative "amount called" and the cumulative "amount called updated for movements in the provision for overdue contributions" represents unpaid calls that are in provision status, namely USD 169.3 million as at 31 December 2005.

^e Total IFAD disbursements for 2005 amounted to USD 363.0 million. Disbursements amounting to USD 362.3 million were met from the 2005 encashments and USD 700 000 from the closing under-encashment of 2004.

