

Document: EB 2008/93/R.23  
Agenda: 11(c)(ii)  
Date: 26 March 2008  
Distribution: Public  
Original: English

**E**



Enabling poor rural people  
to overcome poverty

## **Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework**

Executive Board — Ninety-third Session  
Rome, 24-25 April 2008

---

For: **Information**

## **Note to Executive Board Directors**

This document is submitted for the information of the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

### **Brian Baldwin**

Senior Operations Management Adviser  
telephone: +39 06 5459 2377  
e-mail: [b.baldwin@ifad.org](mailto:b.baldwin@ifad.org)

### **Munehiko Joya**

Treasurer  
telephone: +39 06 5459 2251  
e-mail: [m.joya@ifad.org](mailto:m.joya@ifad.org)

### **Carlo M Borghini**

Controller  
telephone: +39 06 5459 2791  
e-mail: [c.borghini@ifad.org](mailto:c.borghini@ifad.org)

Queries regarding the dispatch of documentation for this session should be addressed to:

### **Deirdre McGrenra**

Governing Bodies Officer  
telephone: +39 06 5459 2374  
e-mail: [d.mcgrenra@ifad.org](mailto:d.mcgrenra@ifad.org)

## **Estimated principal and net service charge payments forgone as a result of the implementation of the Debt Sustainability Framework**

### **I. Background**

1. At its ninetieth session in April 2007, the Executive Board approved the recommendation contained in document EB 2007/90/R.2 that IFAD implement a Debt Sustainability Framework (DSF) to govern the form of its financial assistance to countries eligible for highly concessional lending.
2. The implementation of a DSF has substantially modified IFAD's financial support to projects and programmes, as governed by the performance-based allocation system, in countries eligible for highly concessional loans. The Fund now extends financial support in the following manner: (i) for countries with low debt sustainability, 100 per cent grant; (ii) for countries with medium debt sustainability, 50 per cent grant and 50 per cent loan; and (iii) for countries with high debt sustainability, 100 per cent loan.
3. DSF implementation has raised the proportion of grants in IFAD projects and programmes. As a result, the major cost to IFAD will be the principal repayment forgone on resources given as DSF grants rather than as loans. In this respect, the ninetieth session of the Executive Board approved the recommendation that, commencing in 2008, IFAD report annually to the Board at its April session on the estimated principal and net service and interest payment charges forgone in the previous financial year as a result of DSF implementation.

### **II. Projects and Programmes approved under the DSF in 2007**

4. Table 1 lists the 18 projects, programmes and country-specific grants approved in 2007 under the DSF. The total value in special drawing rights is approximately SDR 65.7 million (equivalent to about US\$100.6 million at the time of Board approval), or some 17.9 per cent of the overall 2007 programme of work. This level of DSF support is comparable to that of other international financial institutions implementing a DSF.

### **III. Principal and net service and interest payment charges forgone in 2007**

5. Document EB 2007/90/R.2 noted that implementation of the DSF could entail a US\$38.8 million loss of principal repayments to IFAD over the Eleventh Replenishment period (2019-2021) as a result of the cumulative level of DSF grants approved in 2007 and the following years. Table 2 provides information on the estimated forgone principal and interest repayments for DSF grants approved in 2007. At present, there are no elements to conclude that the projections originally provided to the Executive Board at its ninetieth session should be changed or updated.<sup>1</sup>
6. The Executive Board will be provided annually with the amount of principal and net service and interest charge payments forgone, including the effect of changes in disbursement profiles and any partial (or total) reduction or cancellation, when applicable.

---

<sup>1</sup> Given the effect of the 10-year grace period that would have applied had these been highly concessional loans, only projects and programmes approved in 2007-2009 would affect the Eleventh Replenishment period.

Table 1  
**DSF grants approved in 2007**  
 (Thousands of United States dollars)

<i>Region</i>	<i>Country</i>	<i>Title</i>	<i>Amount</i>
<b>Western and Central Africa</b>			
	Sierra Leone	Rural Finance and Community Improvement Programme	9 883
	Guinea	Village Communities Support Project – Phase II	10 000
	Guinea Bissau	Rural Rehabilitation and Community Development Project	4 682
	Niger	Project for the Promotion of Local Initiatives for Development in Aguié	190
<b>Eastern and Southern Africa</b>			
	Burundi	Livestock Sector Rehabilitation Support Project	13 978
	Comoros	National Programme for Sustainable Human Development	4 654
	Ethiopia	Participatory Small-scale Irrigation Development Programme	19 999
	Lesotho	Rural Financial Intermediation Programme	4 344
	Malawi	Rural Livelihoods and Economic Enhancement Programme	8 330 <sup>a</sup>
<b>Asia and the Pacific</b>			
	Cambodia	Rural Livelihoods Improvement Project in Kratie, Preah Vihea and Ratanakiri	9 514
	Nepal (ILO) <sup>b</sup>	Skills Enhancement for Employment Project in Nepal	870
	Nepal	Poverty Alleviation Fund Project – Phase II	4 000
	Nepal	Western Uplands Poverty Alleviation Project	190
	Nepal (COCIS) <sup>c</sup>	Development of Supply and Markets for High-Quality Breeding Goats through Strengthened Cooperative Goat Resource Centre	116
	Cambodia	Support to Most Vulnerable Family Fund for Community-based Organizations	115
<b>Latin America and the Caribbean</b>			
	Nicaragua	Inclusion of Small-scale Producers in Value Chains and Market Access Project	3 904
	Guyana	Rural Enterprise and Agricultural Development Project	2 880
<b>Near East and North Africa</b>			
	Djibouti	Programme for the Mobilization of Surface Water and Sustainable Land Management	3 000
<b>Total</b>			<b>100 649</b>

<sup>a</sup> This includes three separate grants.

<sup>b</sup> International Labour Organization.

<sup>c</sup> Coordinamento delle Organizzazioni non Governative per la Cooperazione Internazionale allo Sviluppo.

Table 2  
**Forgone Principal, Interest and Service Charges**  
 (special drawing rights)

implementation of the DSF	Year	Total DSF grants approved in 2007		Forgone principal and net interest/service charge	
		Disbursed <sup>a</sup>	Principal	Net interest and service charge at 0.75 per cent	Total by replenishment
VII	2007 actual	1 219 669	-	1 012	<b>117 534</b>
	2008 estimated	3 871 041	-	38 180	
	2009 estimated	5 354 940	-	78 342	
VIII	2010 estimated	7 677 565	-	135 924	<b>609 550</b>
	2011 estimated	9 225 982	-	205 119	
	2012 estimated	8 451 773	-	268 507	
IX	2013 estimated	8 451 773	-	331 896	<b>1 156 819</b>
	2014 estimated	7 677 565	-	389 477	
	2015 estimated	6 129 149	-	435 446	
X	2016 estimated	3 871 041	-	464 479	<b>3 630 639</b>
	2017 estimated	2 322 625	-	481 898	
	2018 estimated	1 483 899	2 191 234	493 028	
XI	2019 estimated	-	2 191 234	460 159	<b>7 904 877</b>
	2020 estimated	-	2 191 234	443 725	
	2021 estimated	-	2 191 234	427 291	
XII	2022 estimated	-	2 191 234	410 856	<b>7 756 969</b>
	2023 estimated	-	2 191 234	394 422	
	2024 estimated	-	2 191 234	377 988	
XIII	2025 estimated	-	2 191 234	361 554	<b>7 609 060</b>
	2026 estimated	-	2 191 234	345 119	
	2027 estimated	-	2 191 234	328 685	
XIV	2028 estimated	-	2 191 234	312 251	<b>7 461 152</b>
	2029 estimated	-	2 191 234	295 817	
	2030 estimated	-	2 191 234	279 382	
XV	2031 estimated	-	2 191 234	262 948	<b>7 313 244</b>
	2032 estimated	-	2 191 234	246 514	
	2033 estimated	-	2 191 234	230 080	
XVI	2034 estimated	-	2 191 234	213 645	<b>7 165 336</b>
	2035 estimated	-	2 191 234	197 211	
	2036 estimated	-	2 191 234	180 777	
XVII	2037 estimated	-	2 191 234	164 343	<b>7 017 427</b>
	2038 estimated	-	2 191 234	147 908	
	2039 estimated	-	2 191 234	131 474	
XVIII	2040 estimated	-	2 191 234	115 040	<b>6 869 519</b>
	2041 estimated	-	2 191 234	98 606	
	2042 estimated	-	2 191 234	82 171	
XIX	2043 estimated	-	2 191 234	65 737	<b>6 721 611</b>
	2044 estimated	-	2 191 234	49 303	
	2045 estimated	-	2 191 234	32 869	
XX	2046 estimated	-	2 191 234	16 434	<b>4 398 902</b>
	2047 estimated	-	2 191 234	-	
	2048 estimated	-	-	-	
<b>Total</b>		<b>65 737 023</b>	<b>65 737 023</b>	<b>9 995 616</b>	<b>75 732 640</b>

<sup>a</sup> Disbursements are rounded and estimated based on the average disbursement profile of the annual amount approved for IFAD's highly concessional loans, without considering any cancellation or reduction.