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Enabling poor rural people
to overcome poverty

Consolidated financial statements of IFAD as at 31 December 2008

Executive Board — Ninety-sixth Session
Rome, 29-30 April 2009

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

Directors are invited to contact the following focal point with any technical questions about this document:

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Recommendation for approval

The Executive Board is invited to approve the following decision:

“In accordance with regulation XII-6 of the Financial Regulations of IFAD, the Executive Board considered the 2008 consolidated financial statements of IFAD and the report of the external auditor thereon and agreed to submit them to the Governing Council at its thirty-third session in February 2010 for approval.”

Consolidated financial statements of IFAD as at 31 December 2008

1. The Executive Board is invited to consider the attached consolidated financial statements of IFAD (appendices A to J) for submission to the Governing Council for approval and the report of the external auditor.
2. In accordance with article 6, section 11, of the Agreement Establishing IFAD, the consolidated financial statements will form part of IFAD's 2008 Annual Report. As in previous years, a note will be inserted to the effect that the statements have been submitted by the Executive Board to the Governing Council with a recommendation for their approval.
3. The consolidated financial statements for 2008 are scheduled to be reviewed in detail at the meeting of the Audit Committee in April 2009. The Chairperson of the Audit Committee will make a formal report to the ninety-sixth session of the Executive Board on the Committee's conclusions with respect to these statements.

Consolidated and IFAD-only balance sheet (appendix A)

4. The following observations are made:
 - (a) The consolidated cash and investment portfolio, including investment receivables and payables, decreased from US\$2,775.0 million as at 31 December 2007 to US\$2,757.2 million as at 31 December 2008 (see note 4).
 - (b) Loans outstanding net of accumulated allowances for loan impairment losses and the Debt Initiative for Heavily Indebted Poor Countries increased from US\$3,426.0 million as at 31 December 2007 to US\$3,596.8 million as at 31 December 2008 (fair value basis).
 - (c) Contributions to regular resources net of provisions increased from US\$5,279.8 million as at 31 December 2007 to US\$5,301.7 million as at 31 December 2008 (fair value basis).
 - (d) Following the approval by the Executive Board of a capital budget policy in 2008, a corresponding accounting policy was adopted for capitalized fixed assets. The balance sheet therefore includes fixed assets of a total value of approximately US\$1 million, capitalized in accordance with criteria set out in note 2(n).

Consolidated and IFAD-only statement of revenues and expenses (appendix B) and IFAD-only statement of operating expenses (appendix J)

5. The following observations are made:
 - (a) Income from interest and service charges on loans amounted to US\$54.3 million in 2008, compared with US\$53.4 million in 2007. The Fund has excluded interest and service charges on loans with arrears in excess of 180 days. That amount in 2008 was US\$2.8 million (2007: US\$2.7 million).
 - (b) Gross income from cash and investments totalled US\$136.2 million in 2008, compared with US\$155.2 million in 2007 on a consolidated basis. Direct charges against investment income amounted to US\$4.6 million in 2008, compared with US\$3.9 million in 2007 on a consolidated basis.
 - (c) A separate analysis of the principal sources of funding of IFAD-only costs is found in appendix J.

- (d) IFAD has been participating in the Debt Initiative for Heavily Indebted Poor Countries since 1997. As shown in appendix I, the total cumulative cost of debt relief approved by the Executive Board was US\$345.0 million in nominal terms as at 31 December 2008, and the debt relief provided to date was some US\$153.8 million (principal) plus US\$53.0 million (interest).
- (e) In 2008, there was a net accounting charge of US\$8.7 million (2007 – US\$8.4 million) for the After-Service Medical Coverage Scheme based on the latest actuarial valuation, which was performed as at 31 December 2008. This charge is split between various operating expense items.

Consolidated and IFAD-only statement of changes in retained earnings (appendix B1)

- 6. These statements include the retained earnings arising from the excess of accounting revenues over expenses and the effects of foreign-exchange-rate movements. It should be noted that IFAD's retained earnings are fully committed.

Consolidated cash-flow statement (appendix C)

- 7. Appendix C provides details of the consolidated movements in cash and investments (excluding held-to-maturity investments). Some 88 per cent of the balances of consolidated cash and investments relate to IFAD.

Notes to the consolidated financial statements (appendix D)

- 8. This appendix contains further information on the accounting basis and on data underlying the principal statements.

Statement of complementary and supplementary contributions and unspent funds (appendix D1)

- 9. Appendix D1 shows the unspent balances for complementary and supplementary contributions made by Member States and others.

IFAD-only balance sheet at nominal value in United States dollars and retranslated in special drawing rights (appendix E)

- 10. For information purposes only, appendix E shows IFAD's balance sheet at nominal value in United States dollars and retranslated in special drawing rights.

Statement of IFAD-only resources available for commitment (appendix F)

- 11. This statement includes all assets in freely convertible currencies that may be considered committable in accordance with the policy adopted at the thirty-fourth session of the Executive Board. It should be noted that in 2008, as in prior years, advance commitment authority (ACA) was used to meet loan and grant commitment needs.

Statement of contributions (appendix G)

- 12. Appendix G combines all replenishment contributions provided by Member States and non-Member States. Full disclosure on non-payment has been made in appendix D (Notes to the consolidated financial statements). Details are provided separately on contributions to the Seventh Replenishment.

Statement of loans (appendix H)

- 13. Appendix H provides the position of the Fund's borrowers on a country-by-country basis.

**Summary of the Debt Initiative for Heavily Indebted Poor Countries
(appendix I)**

14. This appendix contains a country-by-country analysis of the debt relief provided to date and current commitments for future relief, as authorized by the Executive Board in special drawing rights and United States dollars.

Consolidated financial statements

For the year ended 31 December 2008*

Appendix A	Consolidated and IFAD-only balance sheet
Appendix B	Consolidated and IFAD-only statement of revenues and expenses
Appendix B1	Consolidated and IFAD-only statement of changes in retained earnings
Appendix C	Consolidated cash-flow statement
Appendix D	Notes to the consolidated financial statements
Appendix D1	Statement of complementary and supplementary contributions and unspent funds

Report of the external auditor

Supplemental information

Appendix E	IFAD-only balance sheet at nominal value in United States dollars and retranslated in special drawing rights
Appendix F	Statement of IFAD-only resources available for commitment
Appendix G	Statement of contributions
Appendix H	Statement of loans
Appendix H1	Statement of grants – IFAD-only
Appendix I	Summary of the Debt Initiative for Heavily Indebted Poor Countries
Appendix J	IFAD-only statement of operating expenses

These consolidated financial statements have been prepared using the symbols of the International Organization for Standardization (ISO), Geneva, International Standard 4217 and special drawing rights (SDR). The notes to the consolidated financial statements (appendix D) form an integral part of the financial statements.

* As submitted for endorsement to the ninety-sixth session of the Executive Board in April 2009 for further submission to the thirty-third session of the Governing Council for approval in accordance with regulation XII(6) of the Financial Regulations of IFAD.

Consolidated and IFAD-only balance sheet

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

<i>Assets</i>	<i>Consolidated</i>		<i>IFAD-only</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Cash on hand and in banks (note 4)	491 548	437 753	263 681	264 530
Investments (note 4)	2 427 658	2 503 846	2 358 008	2 402 377
Assets held as collateral for securities lent (note 4)	455 953	816 703	455 953	816 703
Contributors' promissory notes (note 5)	283 980	343 819	264 441	324 925
Contributions receivable (note 5)	281 061	377 988	207 747	334 878
Less: provisions (note 6)	(168 485)	(168 485)	(168 485)	(168 485)
	396 556	553 322	303 703	491 318
Other receivables (note 7)	104 894	94 104	253 391	302 917
Fixed assets (note 8)	996	0	996	0
Loans outstanding (note 9 and appendix H)	3 777 607	3 580 767	3 777 607	3 580 767
Less: accumulated allowance for loan impairment losses (note 9(a))	(62 822)	(56 569)	(62 822)	(56 569)
Less: accumulated allowance for the Debt Initiative for Heavily Indebted Poor Countries (HIPC) (note 11(b) and appendix I)	(117 985)	(98 186)	(117 985)	(98 186)
Net loans outstanding	3 596 800	3 426 012	3 596 800	3 426 012
Total assets	7 474 405	7 831 740	7 232 532	7 703 857

<i>Liabilities and equity</i>	<i>Consolidated</i>		<i>IFAD-only</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Payables and liabilities (note 12)	326 626	325 417	342 010	341 182
Cash collateral liabilities (note 12)	474 229	816 703	474 229	816 703
Undisbursed grants (appendix H1)	194 922	117 621	138 641	65 960
Deferred revenues (note 13)	269 445	160 758	77 840	93 396
Total liabilities	1 265 222	1 420 499	1 032 720	1 317 241
Equity				
Contributions				
Regular	5 281 368	5 259 496	5 281 368	5 259 496
Special	20 348	20 348	20 348	20 348
Total contributions (appendix G)	5 301 716	5 279 844	5 301 716	5 279 844
General Reserve	95 000	95 000	95 000	95 000
Fully committed retained earnings	812 467	1 036 397	803 096	1 011 772
Total equity	6 209 184	6 411 241	6 199 812	6 386 616
Total liabilities and equity	7 474 405	7 831 740	7 232 532	7 703 857

The accompanying notes in appendix D form an integral part of these financial statements.

Consolidated statement of revenues and expenses

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	2008	2007
Revenues		
Income from loans	54 344	53 444
Income from cash and investments (note 15)	136 273	155 190
Income from other sources (note 16)	18 861	14 041
Income from contributions (note 17)	32 561	113 671
Total revenues	242 039	336 346
Operating expenses (note 18)		
Staff salaries and benefits (note 19)	(77 669)	(73 693)
Office and general expenses	(42 810)	(34 912)
Consultants and other non-staff costs	(30 172)	(27 859)
Cooperating institutions	(7 661)	(12 183)
Direct bank and investment costs (note 20)	(4 185)	(3 515)
Subtotal operating expenses	(162 497)	(152 162)
Adjustment for changes in fair value (note 21)	(796)	(58 997)
(Losses)/gains from currency exchange movements (note 14)	(166 752)	243 437
Depreciation	(45)	0
Reversal of allowance for loan impairment losses (note 9(a))	36 945	3 126
Debt Initiative for HIPC (expenses)/income (note 11)	(36 290)	119 304
Grant expenses	(131 986)	(164 406)
Provision for after-service medical scheme benefits (note 19(c))	(4 547)	(5 014)
Total expenses	(465 968)	(14 712)
(Deficit)/excess revenues over expenses	(223 929)	321 634

IFAD-only statement of revenues and expenses

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	2008	2007
Revenues		
Income from loans	54 344	53 444
Income from cash and investments (note 15)	131 257	146 432
Income from other sources (note 16)	23 025	17 026
Total revenues	208 626	216 902
Operating expenses (note 18)		
Staff salaries and benefits (note 19)	(74 738)	(70 353)
Office and general expenses	(38 999)	(30 652)
Consultants and other non-staff costs	(23 231)	(24 041)
Cooperating institutions	(7 428)	(12 209)
Direct bank and investment costs (note 20)	(4 109)	(3 445)
Subtotal operating expenses	(148 505)	(140 700)
Adjustment for changes in fair value (note 21)	2 865	(62 464)
(Losses)/gains for currency exchange movements (note 14)	(153 587)	236 586
Depreciation	(45)	0
Reversal of allowance for loan impairment losses (note 9(a))	36 945	3 126
Debt Initiative for HIPC (expenses)/income (note 11)	(34 660)	120 471
Grant expenses	(115 768)	(59 551)
Provision for after-service medical scheme benefits (note 19(c))	(4 547)	(5 014)
Total expenses	(417 302)	(92 454)
(Deficit)/excess revenues over expenses	(208 676)	309 356

The accompanying notes in appendix D form an integral part of these financial statements.

Consolidated statement of changes in retained earnings

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	<i>Total retained earnings</i>
Opening balance as at 1 January 2007	714 763
Total revenues less expenses	321 634
Retained earnings as at 31 December 2007	1 036 397
Total revenues less expenses	(223 929)
Retained earnings as at 31 December 2008	812 467

IFAD-only statement of changes in retained earnings

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	<i>Total retained earnings</i>
Opening balance as at 1 January 2007	702 416
Total revenues less expenses	309 356
Retained earnings as at 31 December 2007	1 011 772
Total revenues less expenses	(208 676)
Retained earnings as at 31 December 2008	803 096

The accompanying notes in appendix D form an integral part of these financial statements.

Consolidated cash-flow statement

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	2008	2007
Cash flows from operating activities		
Interest received from loans	55 856	51 501
Receipts for non-replenishment contributions	83 057	204 900
Miscellaneous (payments)/receipts	39 252	(52 112)
Payments for operating expenses and other payments	(154 279)	(135 119)
Grant disbursements (IFAD)	(39 825)	(37 600)
Grant disbursements (supplementary funds)	(16 219)	(74 606)
Net cash flows from operating activities	(32 158)	(43 036)
Cash flows from investing activities		
Loan disbursements	(433 807)	(399 134)
Loan principal repayments	186 233	175 075
Receipts from/(payments for) investments	119 946	252 074
Net cash used in investing activities	(127 628)	28 015
Cash flows from financing activities		
Receipts for replenishment contributions	209 487	294 372
Net cash used in financing activities	209 487	294 372
Effects of exchange rate movements on cash and cash equivalents	(52 626)	85 939
Net increase/(decrease) in unrestricted cash and cash equivalents	(2 925)	365 290
Unrestricted cash and cash equivalents at beginning of year	2 512 925	2 147 635
Unrestricted cash and cash equivalents at end of year	2 510 000	2 512 925
COMPOSED OF:		
Unrestricted cash	491 487	437 674
Unrestricted investments excluding held-to-maturity and cash collateral investments	2 018 513	2 075 251
Cash and cash equivalents at end of year	2 510 000	2 512 925

The accompanying notes in appendix D form an integral part of these financial statements.

Notes to the consolidated financial statements**NOTE 1****BRIEF DESCRIPTION OF THE FUND AND THE NATURE OF OPERATIONS**

The International Fund for Agricultural Development (herein after IFAD or the Fund) is a specialized agency of the United Nations. IFAD formally came into existence on 30 November 1977, on which date the agreement for its establishment entered into force, and has its headquarters in Rome, Italy. The Fund and its operations are governed by the Agreement Establishing the International Fund for Agricultural Development.

Membership in the Fund is open to any state member of the United Nations or any of its specialized agencies, or of the International Atomic Energy Agency (IAEA). The Fund's resources come from Member contributions, special contributions from non-Member States and other sources, and funds derived or to be derived from operations.

The objective of the Fund is to mobilize additional resources to be made available on concessional terms primarily for financing projects specifically designed to improve food production systems, the nutritional level of the poorest populations in developing countries and the conditions of their lives. IFAD mobilizes resources and knowledge through a dynamic coalition of the rural poor, governments, financial and development institutions, non-governmental organizations and the private sector, including cofinancing. Financing from non-replenishment sources in the form of supplementary funds and human resources forms an integral part of IFAD's operational activities.

NOTE 2**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The consolidated financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of loans and certain receivables and liabilities which are measured at fair value and amortized cost using the effective interest method. Information is provided separately in the financial statements for entities where this is deemed of interest to the readers of the accounts.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The following changes occurred during 2008:

- Cash collateral received against securities lent is reflected on the balance sheet as an asset at fair value with a corresponding liability representing the obligation to return the cash collateral received from the borrowers of securities. This disclosure has been adopted for the first time for the 2008 financial statements and consequently the relevant figures of 2007 have been restated. The restatement of 2007 financial statements on assets held as cash collateral and cash collateral liabilities does not impact on prior-year equity and retained earnings. See note 4 for further explanations.
- The Fund introduced the capitalization of fixed and intangible assets.

(b) Area of consolidation

Financing in the form of supplementary funds and human resources forms an integral part of IFAD's operational

activities. As such the Fund prepares consolidated accounts, which include the transactions and balances for the following entities:

- Special Programme for sub-Saharan African Countries Affected by Drought and Desertification (SPA)
- Other supplementary funds, including technical assistance grants, cofinancing, associate professional officers (APOs) and programmatic and thematic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); and the Global Environment Facility (GEF)
- IFAD's Trust Fund for the Debt Initiative for Heavily Indebted Poor Countries (HIPC)
- IFAD's After-Service Medical Coverage Scheme (ASMCS) Trust Fund

These entities have a direct link to IFAD's core activities and are substantially controlled by IFAD. Accordingly, they are consolidated in IFAD's financial statements for reasons of completeness and clarity. All transactions and balances between these entities have been eliminated. Additional financial data for funds are drawn up as and when requested to meet specific donor requirements.

The BSF.JP programme of work – unlike that of other entities housed at IFAD – is prepared by IFAD and agreed with the Government of Belgium at an annual meeting of the steering committee. BSF.JP is complementary to IFAD and forms part of its core activities.

Entities housed at IFAD. These entities do not form part of the core activities of the Fund and, as such, are not consolidated. These entities are the International Land Coalition (ILC) (formerly called the Popular Coalition to Eradicate Hunger and Poverty) and the Global Mechanism of the United Nations Convention to Combat Desertification.

(c) Translation and conversion of currencies

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is IFAD's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or at the applicable exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of revenues and expenses.

The results and financial position of the entities/funds that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate.
- All resulting exchange differences are recognized as a separate component of equity.

(d) Equity

This comprises the following three elements: **(i) Contributions (equity); (ii) General Reserve; and (iii) Retained earnings.**

(i) Contributions (equity)**(a) Background to contributions**

The contributions to the Fund by each Member when due are payable in freely convertible currencies, except in the case of Category III Members up to the end of the Third Replenishment period who were permitted to pay contributions in their own currency whether or not it was freely convertible. Each contribution is to be made in cash or, to the extent that any part of the contribution is not needed immediately by the Fund in its operations, it may be paid in the form of non-negotiable, irrevocable, non-

interest-bearing promissory notes or obligations payable on demand.

A contribution to IFAD replenishment resources is recorded in full as equity and as receivable when the Member deposits its instrument of contribution. Amounts receivable from Member States as contributions, and other receivables including promissory notes have been recorded within the balance sheet at their fair value in accordance with IAS39.

(b) Provisions

The policy on provisions against overdue Member States' contributions is as follows:

(i) Whenever a payment of an instalment against an instrument of contribution or a payment of a drawdown against a promissory note becomes overdue by 24 months, a provision will be made equal to the value of all overdue contribution payments or the value of all unpaid drawdowns on the promissory note(s) outstanding.

(ii) Whenever a payment of an instalment against an instrument of contribution or a payment of a drawdown against a promissory note becomes overdue by 48 months or more, a provision will be made against the total value of the unpaid contributions of the Member or the total value of the promissory note(s) of that Member related to the particular funding period (i.e. a replenishment period).

(iii) The end of the financial year is currently used for determining the 24- and 48-month periods.

(ii) General Reserve

The General Reserve may only be used for the purposes authorized by the Governing Council and was established in recognition of the need to cover the Fund's potential over-commitment risk as a result of exchange rate fluctuations and possible delinquencies in receipt of loan-service payments or in the recovery of amounts due to the Fund from the investment of its liquid assets. It is also intended to cover the risk of over-commitment as a result of a diminution in the value of assets caused by fluctuations in the market value of investments.

The General Reserve is subject to a review every three years in order to assess its adequacy.

(iii) Retained earnings

Retained earnings represent the excess of revenue over expenses net of the effects of changes in foreign exchange rates. The resulting balance is fully committed for loans and grants. For operational purposes, reference should be made to the statement of IFAD-only resources available for commitment (appendix F).

(e) Loans

(i) Background to loans

IFAD loans are made only to developing states that are Members of the Fund or to intergovernmental organizations in which such Members participate. In the latter case, the Fund may require governmental or other guarantees. A loan becomes effective when conditions precedent to effectiveness have been fulfilled. Upon signature, disbursement may commence.

All Fund loans are approved and loan repayments and interest are payable in the currency specified in the loan agreement in amounts equivalent to the SDR due, based on International Monetary Fund rates on the due dates. Loans approved are disbursed to borrowers in accordance with the provisions of the loan agreement.

Currently the lending terms of the Fund are as follows:

“(a) Special loans on highly concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75 per cent) per annum and have a maturity period of forty (40) years, including a grace period of ten (10) years; (b) loans on intermediate terms shall have a rate of interest per annum equivalent to fifty per cent

(50 per cent) of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of twenty (20) years, including a grace period of five (5) years; (c) loans on ordinary terms shall have a rate of interest per annum equivalent to one hundred per cent (100 per cent) of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of fifteen (15) to eighteen (18) years, including a grace period of three (3) years; (d) no commitment charge shall be levied on any loan.”

(ii) Loans to non-Member States

At its twenty-first session in February 1998, the Governing Council adopted resolution 107/XXI approving the establishment of a fund for the specific purpose of lending to Gaza and the West Bank (FGWB). The application of article 7, section 1(b), of the Agreement Establishing IFAD was waived for this purpose. Financial assistance, including loans, is transferred to the FGWB by decision of the Executive Board and the repayment thereof, if applicable, is made directly to IFAD's regular resources.

(iii) Debt Initiative for Heavily Indebted Poor Countries (HIPC)

Background to the HIPC Debt Initiative

IFAD participates in the International Monetary Fund/World Bank original and enhanced Debt Initiative for Heavily Indebted Poor Countries as an element of IFAD's broader policy framework for managing operational partnerships with countries that face the risk of having arrears with IFAD in the future because of their debt-service burden. Accordingly, IFAD provides debt relief by forgiving a portion of an eligible country's debt-service obligations as they become due.

In 1998, IFAD established a Trust Fund for the Debt Initiative. This fund receives resources from IFAD and from other sources, specifically dedicated as compensation to the loan-fund account(s) for agreed reductions in loan repayments under the Initiative. Amounts of debt service forgiven are expected to be reimbursed by the Trust Fund on a pay-as-you-go basis (i.e. relief is when debt service obligations become due) to the extent that resources are available in the fund.

Impact of the HIPC Debt Initiative

The Executive Board approves each country's debt relief in net present value terms. The estimated nominal equivalent of the principal components of the debt relief is recorded under accumulated allowance for the HIPC Debt Initiative, and as a charge to the HIPC Debt Initiative expenses in the statement of revenues and expenses. The assumptions underlying these estimates are subject to periodic revision. Significant judgement has been used in the computation of the estimated nominal value of allowances for the HIPC Debt Initiative.

The charge is offset and the accumulated allowance reduced by income received from external donors to the extent that such resources are available. The accumulated allowance for the HIPC Debt Initiative is reduced when debt relief is provided by the Trust Fund.

In November 2006, IFAD was granted access to the core resources of the World Bank HIPC Trust Fund, in order to assist in financing the outstanding debt relief once countries reach completion point. Financing is provided in net present value terms.

(iv) Measurement of loans

In accordance with IAS39 loans are initially recognized at fair value on day one and subsequently measured at amortized cost using the effective interest method. The fair value is calculated by applying discount rates to the estimated future cash flows on a loan-by-loan basis in the currency in which the loans are denominated, at the time of loan closure (i.e. when the loan is fully disbursed) using a model. The discount rates are calculated with reference to the estimated forward interest curve for the year of

closure based on the underlying currency of each loan. The discount factor applied is not adjusted for country credit risk as lending is provided directly to country governments and considered to be 'sovereign debt'. However, the outstanding loans are reviewed for impairment on a loan-by-loan basis and a provision established where there is objective evidence that the loans are impaired.

(v) Accumulated allowance for impairment losses

Delays in receiving loan payments result in present value losses to the Fund since it does not charge fees or additional interest on any overdue interest or loan charges. An allowance is established for such losses based on the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate (i.e. the effective interest rate calculated at initial recognition). In cases where it is not possible to estimate with any reasonable certainty the expected cash flows of a loan (as in all cases for which an allowance has been established to date), an alternative approach is allowed that adopts a method similar to the benchmark used for the provisioning of Members States' contributions. This means that an allowance shall be made on loan instalments overdue by more than 24 months for all cases where a settlement plan is not being actively followed. An allowance is also made for loan instalments on the same loan overdue by less than 24 months. Once this trigger period has been reached, all amounts overdue at that time are considered to be in provision status, even in the event that part of the total outstanding debt is subsequently repaid. In cases where more than 48 months have elapsed, an allowance is made for all outstanding principal amounts of the loan concerned. The point in time from which it is necessary to determine whether or not the given period has elapsed is the balance sheet date. The Fund has not written off any of its loans.

(vi) Non-accrual status

Income on loans is recognized following the accrual basis of accounting. For loans with overdue amounts in excess of 180 days, interest and service charges are recognized as income only when actually received. Follow-up action is being taken with the respective governments to obtain settlement of these obligations.

(f) Investments

The Fund's investment portfolio contains investments that are held for trading, and certain selected securities that the Fund intends to hold until maturity. The Fund carries those investments that are held for trading at fair value, and those investments that are held-to-maturity at amortized cost. Fair value is represented by the quoted market value at the balance sheet date. Both realized and unrealized security gains and losses are included in income from investments as they arise. Both realized and unrealized exchange gains and losses are included in the account for movements in foreign exchange rates as they arise. All purchases and sales of investments are recognized on the trade date. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The majority of derivatives are used as hedging instruments (although they do not qualify for hedging accounting) and therefore changes in the fair value of any of these derivative instruments are recognized immediately in the statement of revenues and expenses.

The Fund enters into securities lending transactions with the global custodian acting as its agent to lend securities from the investment portfolio. In such transactions, IFAD receives collateral in the form of securities and cash in accordance with normal market practice. The transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties in accordance with the agreement with the global custodian. Securities lent are not derecognized from the balance sheet unless the risks and rewards of

ownership are also transferred. Similarly, IFAD does not recognize securities received as in-kind collateral unless the risks and rewards of ownership of such securities are transferred to IFAD. Cash collateral received is invested in the money market and in other liquid financial instruments that are classified as held-for-trading investments in the balance sheet. IFAD is required to pay a fee, the "rebate" fee, to the provider of the cash collateral. IFAD has a contractual obligation to cover any losses on the reinvested cash collateral.

The obligation to return the cash collateral received is treated as a liability.

Realized and unrealized income or losses from securities lending activities are recorded as income or expenses on an accrual basis.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks. They also include investments that are readily convertible at the balance sheet date. Net investment payables and investments held-to-maturity are excluded from readily convertible investments for cash flow purposes.

(h) Contributions (non-equity)

Contributions to non-replenishment resources are recorded as revenues in the period in which the related expenses occur. For project cofinancing activities, contributions received are recorded as revenues in the period in which the related grant becomes effective. Contributions relating to programmatic grants, APOs, BSF,JP and other supplementary funds are recorded in the balance sheet as deferred revenues and are reduced by the amount of project-related expenses in the statement of revenues and expenses. Where specified in the donor agreements, contributions received (including management fees) and interest earned thereon, for which no direct expenses have yet been incurred, are deferred until future periods to be matched against the related costs. This is consistent with the accounting principle adopted with regard to IFAD's combined supplementary funds and serves to present the underlying nature of these balances more clearly. A list of such contributions can be found in appendix D1.

Individual donors provided human resources (in the form of APOs) to assist IFAD in its activities. The contributions received from donors are recorded as revenues and the related costs are included in staff costs.

(i) Grants

The Agreement Establishing IFAD empowers the Fund to make grants to its Member States, or to intergovernmental organizations in which its Members participate, on such terms as the Fund deems appropriate.

Grants are recorded as expenses on effectiveness of the approved amount and as a liability for undisbursed amounts at fair value in accordance with IAS39. Cancellations of undisbursed balances are recognized as an offset to the expense in the period in which they occur.

(j) Employee schemes

(i) Pension obligations

IFAD participates in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under article 26 of the regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. At

the time of this report, the United Nations General Assembly has not invoked this provision.

The actuarial method adopted for the UNJSPF is the Open Group Aggregate method. The cost of providing pensions is charged to the statement of revenues and expenses so as to spread the regular cost over the service lives of employees, in accordance with the advice of the actuaries, who carry out a full valuation of the period plan every two years. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. IFAD – like other participating organizations – is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has not recorded any assets in its accounts in this regard, nor included related information such as the return on plan assets.

(ii) **After-Service Medical Coverage Scheme**

IFAD participates in a multi-employer After-Service Medical Coverage Scheme (ASMCS) administered by the Food and Agriculture Organization of the United Nations (FAO) for staff receiving a United Nations pension and eligible former staff on a shared-cost basis. The ASMCS operates on a pay-as-you-go basis, meeting annual costs out of annual budgets and staff contributions. Since 2006, an independent valuation is being performed on an annual basis.

In accordance with IAS19, IFAD has set up a trust fund into which it transfers the funding necessary to cover the actuarial liability.

(k) **Provisions**

Provisions are established when the Fund has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and long-service entitlements are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service separation entitlements as a result of services rendered by employees up to the balance sheet date.

(l) **Taxation**

IFAD is a specialized agency of the United Nations and as such enjoys privileged tax-exemption status under the Convention on Privileges and Immunities of Specialized United Nations Agencies of 1947 and the Agreement between the Italian Republic and IFAD on IFAD's permanent headquarters. Taxation levied where this exemption has not yet been obtained is deducted directly from the related investment income.

(m) **Revenue recognition**

Service charge income and income from other sources are recognized as revenues in the period in which the related expenses are incurred.

(n) **Fixed assets – Intangible assets**

In 2008 the Fund began capitalizing (at acquisition cost) major purchases of property, furniture and equipment. Depreciation is calculated on a straight-line basis over the estimated useful life of each item purchased as set out below:

• Permanent equipment fixtures and fittings	10 years
• Furniture	5 years
• Office equipment	4 years

Software development costs are capitalized as intangible assets if future economic benefits will flow to the organization. Depreciation is calculated on a straight-line basis over the estimated useful life of the software (two to five years).

(o) **IFAD's resources available for commitment**

Resources available for commitment are those resources in freely convertible currencies defined in article 4, section 1, of the Agreement Establishing IFAD, which have been contributed by Member States and others or have been derived, or are to be derived, from operations or loan repayments by borrowers, to the extent that these resources have not already been committed for loans and grants or appropriated to the General Reserve.

The policy for determining resources available for commitment is as follows:

(i) Only actual receipts in the form of cash or promissory notes will be included in committable resources. The value of instruments of contribution against which payment in the form of cash or promissory notes has not yet been made will be excluded from committable resources.

(ii) Provisions have been established for overdue promissory notes.

(iii) Promissory notes and commitments for loans (undisbursed effective loans, approved loans signed but not yet effective and loans not yet signed) and undisbursed grants are recorded at nominal value within the statement of resources available for commitment as this is an operational report for management purposes only and therefore is not subject to financial reporting requirements of IAS39.

(iv) The Executive Board has authority to employ advance commitment authority (ACA) prudently and cautiously to compensate, year by year, for fluctuations in the resources available for commitment and to act as a reserve resource. ACA was used in 2008, as in 2007, because regular resources were not sufficient to meet loan and grant commitments.

A loan or grant is considered to be committed when a formal agreement is signed by the Fund and the respective borrower or grantee. The Fund's Executive Board reviews a statement of resources available for commitment at every Executive Board session to ensure that resources are available to finance the loans and grants presented for approval.

NOTE 3

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) **Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Fair value and amortized costs of loans, undisbursed grants, deferred revenues, promissory notes and contributions receivable.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

(ii) **HIPC Debt Initiative**

Significant judgements have been used in the computation of estimated losses for the HIPC Debt Initiative and overdue loan repayments. Principal assumptions underlying the computations include the exchange rate between the SDR and the United States dollar, timing of eligibility of debt relief and the level of disbursements.

(b) Critical judgement in applying accounting policies**(i) Fair value accounting**

Fair value accounting is required in order for IFAD to comply with International Financial Reporting Standards. Reconciliations between measurement at fair value and amortized cost using the effective interest method and nominal values have been provided with respect to loans, receivables, undisbursed grants and deferred revenues.

NOTE 4**CASH AND INVESTMENT BALANCES****(a) Analysis of balances**

	<i>Thousands of United States dollars</i>	
	2008	2007
Unrestricted cash	491 487	437 674
Cash subject to restriction	61	79
Subtotal cash	491 548	437 753
Unrestricted investments	2 427 170	2 503 219
Investments subject to restriction	488	627
Subtotal investments excluding cash collateral assets	2 427 658	2 503 846
Assets held as collateral for securities lent	455 953	816 703
Subtotal investments	2 883 611	3 320 549
Total cash and investments	3 375 159	3 758 302

(b) Cash and investments subject to restriction

Currencies not freely convertible: Cash and investments held by the Fund at 31 December 2008 in currencies not freely convertible amounted to US\$61,000 (2007 – US\$79,000) and US\$488,000 (2007 – US\$627,000), respectively.

In accordance with the Agreement Establishing IFAD, the amounts paid into the Fund by the then Category III Member States in their respective currencies on account of their initial or additional contributions are subject to restriction in usage.

(c) Composition of the investment portfolio by instrument (consolidated)

At 31 December 2008, cash and investments, including payables and receivables, at market value amounted to US\$2,757,204,000 excluding restricted and non-convertible currencies (2007 – US\$2,775,046,000), and comprised the following instruments:

	<i>Thousands of United States dollars</i>	
	2008	2007
Cash	491 487	437 674
Fixed-income instruments	2 306 973	2 336 754
Unrealized market value (loss)/gain on forward contracts	26 752	(136)
Time deposits and other obligations of banks	87 566	163 963
Futures	6 530	2 456
Options	122	182
Swaps	(773)	0
Assets held as collateral for securities lent	455 953	816 703
Total cash and investments	3 374 610	3 757 596
Receivables for investments sold	67 388	53 489
Payables for investments purchased	(210 565)	(219 336)
Cash collateral liabilities	(474 229)	(816 703)
Total investment portfolio	2 757 204	2 775 046

Fixed-income investments include US\$407,152,000 in held-to-maturity investments as at 31 December 2008 (2007 – US\$427,968,000).

The market value of cash collateral received against securities lent at 31 December 2008 amounted to US\$455.9 million (2007 – US\$816.7 million) with a corresponding liability to the borrowers for US\$474.2 million (2007 – US\$816.7 million). This represents an unrealized loss of US\$18.3 million. The nominal value of securities lent at 31 December 2008 amounted to US\$526 million (2007 – US\$1,064 million). Securities held by the Fund as in-kind collateral at 31 December 2008 amounted to US\$74 million (2007 – US\$326 million). The majority of the securities lent are government bonds.

(d) Composition of the investment portfolio by currency (consolidated)

The currency composition of cash and investments at 31 December was as follows:

	<i>Thousands of United States dollars</i>	
	2008	2007
Euro	883 573	837 956
Japanese yen	337 096	294 914
Pound sterling	240 769	294 594
United States dollar	1 314 042	1 347 582
Total	2 775 480	2 775 046
Assets held as collateral for securities lent	455 953	816 703
Cash collateral liabilities	(474 229)	(816 703)
Total cash and investment portfolio	2 757 204	2 775 046

The above currency composition excludes investments pertaining to the cash collateral, which are presented separately in note 4(j).

(e) Composition of the investment portfolio by maturity (consolidated)

The composition of cash and investments by maturity at 31 December was as follows:

	<i>Thousands of United States dollars</i>	
	2008	2007
Due in one year or less	599 499	640 794
Due after one year through five years	1 555 526	1 584 973
Due from five to ten years	244 179	160 590
Due after ten years	376 276	388 689
Total	2 775 480	2 775 046
Assets held as collateral for securities lent	455 953	816 703
Cash collateral liabilities	(474 229)	(816 703)
Total cash and investment portfolio	2 757 204	2 775 046

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2008 was 76 months (2007 – 77 months).

Analyses of the cash collateral (including its composition by maturity) are presented separately in note 4(j).

(f) Financial risk management

IFAD's investment activities are exposed to a variety of financial risks: market risk, credit risk, currency risk, custodial risk and liquidity risk, as well as capital risk as a going concern, which however, is limited to the investment portfolio.

(g) Market risk

IFAD's investment portfolio is allocated to several asset classes in the fixed income universe in line with IFAD's investment policy. Occasionally IFAD Management has taken short-term tactical measures to protect the overall portfolio from adverse market conditions.

Cash and held-to-maturity investments are managed internally; marked-to-market investments are managed through 12 mandates to external managers.

The weights and amounts of each asset class within the overall portfolio, together with the investment policy weights as at 31 December 2008 and 2007 are shown in table 1. Disclosures relate to IFAD only.

Table 1
Asset class and investment policy weights (IFAD only)

As at 31 December 2008 and 2007

Asset class	Portfolio		Investment policy
2008	%	Millions of United States dollars	%
Short-term liquidity	5.5	136.6	5.5
Held-to-maturity Government bonds	16.4	407.2	16.4
Diversified fixed-interest	43.8	1 086.0	43.3
Inflation-linked	17.9	443.8	14.8
Total	100	2 478.5	100

Asset class	Portfolio		Investment policy
2007	%	Millions of United States dollars	%
Short-term liquidity	6.8	169.5	5.5
Tactical short-term	1.6	40.3	-
Held-to-maturity Government bonds	17.1	427.9	17.1
Diversified fixed-interest	42.7	1 068.0	43.5
Inflation-linked	17.0	425.1	13.9
Total	100	2501.0	100

Each asset class is managed according to its own investment guidelines. The guidelines address a variety of market risks through restrictions on eligibility of instruments and on managers' activity by setting:

1. Pre-assigned benchmarks and limits on deviations from benchmarks in terms of duration
2. Tracking error limits
3. Credit floors (please refer to (h) credit risk).

The benchmark indices used for the respective portfolios are shown in table 2.

Table 2
Benchmark indices by portfolio

Portfolio	Benchmark index
Short-term liquidity	Not applicable
Government bonds	JP Morgan Global Government Bond 1- 5 year index, customized to the four component currencies of the SDR valuation basket
Diversified fixed-interest	U.S. Lehman Aggregate Index (AA3 or above)
Inflation-linked	Customized index comprising the Barclays Capital Global Inflation-Linked Index (1-7 years) and the Barclays Capital Global Inflation-Linked Index (7 years and above)
Held-to-maturity	Equally-weighted extended sector benchmark (internally calculated on quarterly basis)

The upper limit for the duration is set at:

- One year above the benchmark for global government bonds asset class.
- Two years above the benchmark for diversified fixed-interest asset class.
- Not higher than seven years for the inflation-linked bonds asset class.

Exposure to market risk is adjusted by modifying the duration of the portfolio, depending on the outlook for changes in securities market prices. The upper limit for the duration of the fixed-income portion of the portfolio is set at 0-2 years above the benchmarks of respective fixed-income portfolios. The Fund no longer invests in equities.

The average duration of IFAD's investment portfolio at 31 December 2008 and 2007 and respective benchmarks are shown in table 3.

Table 3
Average duration of portfolios and benchmarks in years (IFAD only)

As at 31 December 2008 and 2007

Portfolio	Portfolio		Benchmark	
	2008	2007	2008	2007
Short-term liquidity	-	-	n/a	n/a
Government bonds	2.9	2.7	2.6	2.5
Diversified fixed-interest	3.0	4.5	3.2	4.0
Inflation-linked	4.7	3.9	5.2	5.0
Held-to-maturity	2.3	2.5	2.3	2.5
Total average	3.0	2.9	3.0	2.9

The sensitivity analysis of IFAD's overall investment portfolio in table 4 shows how a parallel shift in the yield curve (-300 - +300 basis points) would affect the value of the investment portfolio as at 31 December 2008.

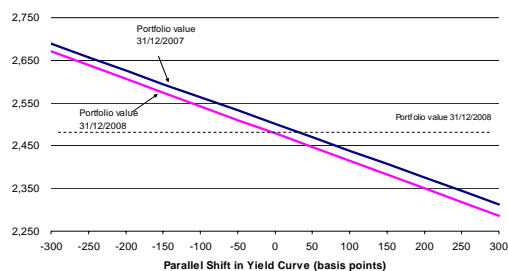
Table 4
Sensitivity analysis on investment portfolio
(IFAD only)

Basis point shift in yield curve	2008		2007	
	Change in value of externally managed portfolio	Total portfolio	Change in value of externally managed portfolio	Total portfolio
-300	193	2 672	188	2 689
-250	161	2 640	156	2 657
-200	129	2 608	125	2 626
-150	96	2 575	94	2 595
-100	64	2 543	63	2 564
-50	32	2 511	31	2 532
0	-	2 478.5	-	2 501.0
50	(32)	2 447	(31)	2 470
100	(64)	2 415	(63)	2 438
150	(96)	2 383	(94)	2 407
200	(129)	2 350	(125)	2 376
250	(161)	2 318	(156)	2 345
300	(193)	2 286	(188)	2 313

The above sensitivity analysis does not include cash collateral investments.

Graph 1 shows the negative relationship between yields and fixed income portfolio value.

Graph 1
Sensitivity analysis on investment portfolio value (IFAD only)
(Millions of United States dollars)



At 31 December 2008, if the general level of interest rates on the SDR currency markets had been higher/(lower) by 100 basis points (this is a parallel shift of the yield curves), the overall portfolio investment income would have been lower/(higher) by US\$64.0 million as a result of the capital losses (gains) on the marked-to-market portion of the portfolio (78 per cent of the total).

Table 5 shows the tracking error limits defined by the investment guidelines. Tracking error represents the annualized standard deviation of the return versus the benchmark, and it is a measure of the active risk taken by a manager in managing a portfolio.

Table 5
Tracking error ranges by portfolio

Portfolio	Tracking error (percentage per annum)
Government bonds	0.75-1.00
Diversified fixed-interest	0.75-1.00
Inflation-linked	2.00
Held-to-maturity	Not applicable

The overall investment portfolio's tracking error at 31 December 2008, based on a three-year history, was 0.28 per cent.

(h) Credit risk

The investment guidelines set credit floors for the eligibility of securities and counterparties. The

eligibility of banks and bond issues is determined on the basis of ratings made by major credit-rating agencies. The minimum credit ratings for the portfolios of IFAD's overall investment portfolio, as allowed by the investment guidelines are shown in table 6.

Table 6
Minimum credit ratings per investment guidelines

Portfolio	Securities	Time deposits and CDs ^a	Spot and forwards ^b	IRS ^b
Short-term liquidity	n/a	A-1/P-1	n/a	n/a
Government bonds ^c	Moody's Aa3 or S&P AA- or Fitch AA-	A-1/P-1	A-1/P-1	n/a
Diversified fixed-interest ^c	Moody's Aa3 or S&P AA- or Fitch AA (exception: MBS and ABS AAA/Aaa by two of the three agencies)	A-1/P-1	A-1/P-1	AA-/Aa3
Inflation-linked ^c	Moody's Aa3 or S&P AA-	A-1/P-1	A-1/P-1	n/a
Held-to-maturity (HTM)	Moody's Aa3 or S&P AA- (exception: corporate bonds AAA/Aaa)	A-1/P-1	n/a	n/a

^{a)} Minimum credit rating (Moody's P-1 or S&P A-1) refers to the bank.

^{b)} Minimum credit rating refers to the counterparty.

^{c)} Futures and options are allowed if traded on regulated exchanges.

Note: ABS=asset backed securities; IRS=interest rate swaps; MBS=mortgage backed securities.

At 31 December 2008, the average credit ratings by portfolio were in line with the minimum ratings allowed by investment guidelines (table 7).

Table 7
Average credit ratings by portfolio (IFAD only)
As at 31 December 2008 and 2007

Portfolio	Credit rating ^{a)}	
	2008	2007
Short-term liquidity	P1	P1
Government bonds	Aaa	Aaa
Diversified fixed-interest	Aaa	Aaa
Inflation-linked	Aaa	Aaa
Held-to-maturity	Aaa	Aaa

^{a)} The average credit rating is calculated based on market values at 31 December 2008 and 2007 except for the held-to-maturity portfolio average rating, which is calculated on face values. Moody's credit ratings have been applied.

The credit ratings of the cash collateral are presented in note 4(j).

(i) Held-to-maturity investments

	<i>Thousands of United States dollars equivalent</i>			
	US\$	Euro	Pound sterling	All currencies
Cash	10 888	448	-	11 336
Corporate bonds	51 645	67 865	7 123	126 633
Government agencies	101 610	50 256	7 394	159 260
Government bonds	10 161	49 048	-	59 209
Supranational	30 284	20 430	-	50 714
Total 2008	204 588	188 047	14 517	407 152
Total 2007	224 417	183 612	19 939	427 968

The fair value of held-to-maturity investments as at 31 December 2008 was US\$418,769,000 (2007 – US\$430,342,000).

The maturity structure of held-to-maturity investments as at 31 December is as follows:

<i>Period due</i>	<i>Thousands of United States dollars</i>	
	2008	2007
Less than one year	94 284	76 401
1-2 years	87 924	95 165
2-3 years	73 052	91 199
3-4 years	75 340	73 689
4-5 years	76 552	81 753
5-6 years	-	9 761
Total	407 152	427 968

All investments due in less than one year have a maturity of more than three months from the date of purchase.

(j) Securities lending

IFAD enters into collateralized securities lending transactions that may result in credit exposure in the event that the counterparty is unable to fulfil contractual obligations. The global custodian, on behalf of IFAD, monitors the adequacy of collateral on a daily basis, requiring additional collateral in accordance with the agreement when deemed necessary (below a predetermined level). Counterparty credit exposure is monitored by both IFAD and the global custodian. IFAD retains the market risk associated with the securities purchased with cash collateral received. In 2008, the Fund, through an amendment to the original agreement with the global custodian, transferred its share of collateral to a custom collateral account. The investment guidelines specifically established for the custom account are more restrictive than IFAD's general investment guidelines. These set thresholds for determining the eligibility of securities, credit floors and the weighted average life of investments (maximum 30 days for the custom collateral account). A large proportion of the assets received as cash collateral is kept in highly liquid instruments in order to address, inter alia, the liquidity risk associated with the illiquid market for some of the holdings in the portfolio such as mortgage-backed and asset-backed securities. An analysis of cash collateral investments by currency and by credit rating is set out below.

	<i>Thousands of United States dollars</i>	
	2008	2007
United States dollar	455 953	593 075
Euro	-	223 628
Total	455 953	816 703

	<i>Thousands of United States dollars</i>				
	AAA	AA	A	BBB	Total
Cash	167 829	-	-	-	167 829
Corporate bonds	23 221	12 879	39 553	2 758	78 411
Government agencies	54 658	-	-	-	54 658
Government bonds	29 910	-	-	-	29 910
Banking industry	-	8 101	6 247	-	14 349
Mortgage backed securities	12 245	1 890	959	3 382	19 476
Asset backed securities	87 283	1 459	503	2 075	91 321
Total	376 147	24 330	47 262	8 215	455 953

Note: The table applies the most conservative, i.e. lowest, credit rating from among Moody's, Standard & Poor's and Fitch.

The maturity structure of cash collateral investments as at 31 December 2008 is as follows:

<i>Period due</i>	<i>Thousands of United States dollars</i>	
	2008	
Less than one year	340 126	
1-2 years	76 296	
2-3 years	28 683	
3-4 years	10 849	
Total	455 953	

(k) Currency risk

IFAD's investment portfolio is used to minimize IFAD's overall currency risk. The majority of IFAD's commitments relate to undisbursed loans and grants denominated in SDR. Consequently, the overall assets of the Fund are maintained, to the extent possible, in the currencies and ratios of the SDR valuation basket. Similarly, the General Reserve and commitments for grants denominated in United States dollars are matched by assets denominated in United States dollars.

The monitoring of the status of alignment to the SDR valuation basket is usually performed on a monthly basis.

In case of misalignments that are considered persisting and significant, Management undertakes a realignment procedure by changing the currency ratios in IFAD's investment portfolio so as to realign the total assets to the desired SDR weights.

The degree of currency alignment of IFAD's overall assets subject to SDR alignment at 31 December 2008 is shown in table 8.

Table 8
Alignment of assets to SDR basket (IFAD-only)
As at 31 December 2008

<i>Currency group</i>	<i>Net asset amount (%)</i>	<i>SDR weights</i>	<i>Difference</i>
United States dollar	38.5	41.2	(2.7)
Euro	37.0	37.1	(0.1)
Japanese yen	13.6	13.2	0.4
Pound sterling	10.9	8.5	2.4
Total	100.0	100.0	-

At 31 December 2008, had the United States dollar depreciated (appreciated) by 10 per cent over the three other currencies in the SDR basket, the

alignment of IFAD's assets would have been as shown in table 9.

Table 9

Sensitivity of alignment of assets to SDR basket (IFAD-only)

As at 31 December 2008

Currency group	Difference towards SDR weights	
	-10% of US\$ (%)	+10% of US\$ (%)
United States dollar	(5.0)	(0.2)
Euro	1.3	(1.7)
Japanese yen	0.9	(0.2)
Pound sterling	2.8	2.1
Total	-	-

To seek higher returns, the Fund may invest in securities denominated in currencies other than those included in the SDR valuation basket, and enter into covered forward foreign-exchange agreements in order to maintain the matching in currency terms, of commitments denominated in SDRs and United States dollars.

(l) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents to meet loan and grant disbursements as well as other administrative outflows as they arise. IFAD's Treasury maintains flexibility in funding by calculating estimated availability of funds from all relevant sources and monitors the liquidity situation based on various time lines. IFAD developed a liquidity policy, which was approved by the Executive Board in December 2006, to provide further safeguards in this area. The liquidity policy requires a minimum level of highly liquid assets in IFAD's investment portfolio equal to 60 per cent of the total annual gross disbursements (cash outflows) and potential additional requirements due to liquidity shocks. The appropriateness of the level is reviewed during the replenishment cycle. The current balance of highly liquid assets comfortably covers the minimum liquidity requirements.

(m) Capital risk

The overall resource policy is reviewed by Management on a regular basis. A joint review with the principal stakeholders is also carried out at least once during each replenishment process. IFAD closely monitors its resource position on a regular basis in order to safeguard its ability to continue as a going concern. Consequently, it adjusts the amount of new commitments of loans and grants to be made during each calendar year dependent on the resources available. Longer term resource forecasting is carried out within the analysis performed through IFAD's financial model.

NOTE 5

CONTRIBUTORS' PROMISSORY NOTES AND RECEIVABLES

	Thousands of United States dollars	
	2008	2007
Promissory notes to be encashed		
Replenishment contributions	276 728	340 842
BSF contributions	20 565	21 632
Total	297 293	362 474
Fair value adjustment	(13 313)	(18 655)
Promissory notes to be encashed at fair value	283 980	343 819
Contributions receivable		
Replenishment contributions	211 617	355 812
BSF contributions	32 862	36 936
Supplementary contributions	45 689	13 018
Total	290 168	405 766
Fair value adjustment	(9 107)	(27 778)
Contributions receivable at fair value	281 061	377 988

(a) Initial, First, Second, Third, Fourth, Fifth and Sixth Replenishment contributions

These contributions have been fully paid except as detailed in note 6 and in the matrix below:

Contributions not paid/encashed (as at 31 December 2008)

Donor	Thousands of United States dollars	
	Replenishment	Amount
Brazil ^a	Sixth	2 639
France ^a	Sixth	11 120
Germany ^a	Sixth	14 000
Guatemala ^a	Sixth	23
Netherlands ^a	Sixth	11 169
Switzerland ^a	Sixth	521
United Kingdom ^{a,b}	Sixth	5 751
United States	Sixth	459

^a Cases for which Members and IFAD have agreed to special encashment schedules.

^b Part of this balance relates to a promissory note not deposited as at 31 December 2008.

(b) Seventh Replenishment

Details of contributions and payments made for the Seventh Replenishment are shown in appendix G. The Seventh Replenishment became effective on 22 December 2006.

(c) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First and Second phases are shown in appendix G.

(d) Credit risk

Because of the sovereign status of IFAD's donor contributions, the Fund expects that each of its contributions for which a legally binding instrument has been deposited will ultimately be received. Collectability risk is covered by the provisions on contributions.

NOTE 6**PROVISIONS**

The fair value of the provisions is equivalent to the nominal value given that the underlying receivables/promissory notes are already due at the balance sheet date.

In accordance with IFAD's policy, the Fund has established provisions at 31 December as follows:

<i>Thousands of United States dollars</i>		
	2008	2007
Balance at beginning of the year	168 485	169 360
Total movements	0	(875)
Balance at end of year	168 485	168 485
Analysed as:		
Promissory notes of contributors (a)	80 898	80 898
Amounts receivable from contributors (b)		
	87 587	87 587
Total	168 485	168 485

(a) Provisions against promissory notes

As at 31 December 2008, all IFAD replenishment contributions deposited in the form of promissory notes up to and including the Sixth Replenishment have been fully drawn down. Promissory notes deposited for the Seventh Replenishment have been 65 per cent drawn down. (31 December 2007 – 100 per cent up to the Sixth Replenishment and 30 per cent for the Seventh Replenishment).

As at 31 December 2008 and 2007, all First and Second phase SPA contributions have been fully drawn down.

In accordance with the policy, the Fund has established provisions against promissory notes as at 31 December:

<i>Thousands of United States dollars</i>		
	2008	2007
IFAD		
Initial contributions		
Iran (Islamic Republic of)	29 358	29 358
Iraq	13 717	13 717
	43 075	43 075
First Replenishment		
Iraq	31 099	31 099
	31 099	31 099
Second Replenishment		
Mauritania	2	2
	2	2
Third Replenishment		
Democratic People's Republic of Korea	600	600
Libyan Arab Jamahiriya	6 087	6 087
Mauritania	25	25
	6 712	6 712
Total IFAD	80 888	80 888
SPA		
First phase		
Mauritania	10	10
Total SPA	10	10
Grand total	80 898	80 898

(b) Provisions against amounts receivable from contributors

In accordance with its policy, the Fund has established provisions against some of these amounts:

<i>Thousands of United States dollars</i>		
	2008	2007
Initial contributions		
Comoros	10	10
Iran (Islamic Republic of)	83 167	83 167
	83 177	83 177
Second Replenishment		
Iraq	2 000	2 000
	2 000	2 000
Third Replenishment		
Iran (Islamic Republic of)	2 400	2 400
Sao Tome and Principe	10	10
	2 410	2 410
Total	87 587	87 587

NOTE 7**OTHER RECEIVABLES**

<i>Thousands of United States dollars</i>		
	2008	2007
Receivables for investments sold	67 388	53 489
Other receivables	37 506	40 615
Total	104 894	94 104

The amounts above are all expected to be received within one year of the balance sheet date.

NOTE 8**FIXED AND INTANGIBLE ASSETS**

<i>Thousands of United States dollars</i>			
	2008		
	1 January	Additions	31 December
Cost			
Computer hardware	0	490	490
Computer software	0	64	64
Furniture and fittings	0	412	412
Office equipment	0	75	75
Total	0	1 041	1 041
Depreciation			
Computer hardware	0	(10)	(10)
Computer software	0	(1)	(1)
Furniture and fittings	0	(34)	(34)
Office equipment	0		
Total	0	(45)	(45)
Net fixed and intangible assets	0	996	996

NOTE 9**LOANS****(a) Accumulated allowance for impairment losses**

An analysis of the accumulated allowance for loan impairment losses is shown below:

<i>Thousands of United States dollars</i>		
	2008	2007
Balance at beginning of year	173 990	169 162
Net (decrease) in allowance	(36 945)	(3 126)
Revaluation	(3 942)	7 954
Balance at end of year at nominal value	133 103	173 990
Fair value adjustment	(70 281)	(117 421)
Total	62 822	56 569

All loans included within the accumulated allowance are 100 per cent impaired.

(b) Non-accrual status

For loans with overdue amounts in non-accrual status, had these amounts been recognized as income, income from loans as reported in the statement of revenues and expenses for the year 2008 would have been greater by US\$2,835,000 (2007 – US\$2,734,000). The corresponding figures relating to IFAD were US\$2,803,000 (2007 – US\$2,703,000) and SPA were US\$32,000 (2007 – US\$31,000). The Member States concerned are shown below:

(i) Borrowers in non-accrual status – IFAD
As at 31 December 2008

	<i>Thousands of United States dollars</i>			
	<i>Principal outstanding</i>	<i>Principal overdue</i>	<i>Income not accrued in 2008</i>	<i>In arrears since</i>
Central African Republic	32 670	6 768	331	May 2001
Cuba	12 752	12 752	526	Sep 1989
Democratic Republic of the Congo	22 773	5 817	236	Feb 1993
Guinea-Bissau	6 731	2 048	70	Nov 1995
Gaza and the West Bank	3 857	148	30	Apr 2007
Liberia	15 624	12 065	469	Nov 1995
Seychelles	125	83	10	Jan 2002
Somalia	26 550	14 463	275	Jan 1991
Togo	24 236	4 829	240	Sep 2000
Zimbabwe	25 433	12 861	616	Oct 2001
Total	170 751	71 834	2 803	

(ii) Borrowers in non-accrual status – SPA
As at 31 December 2008

	<i>Thousands of United States dollars</i>			
	<i>Principal outstanding</i>	<i>Principal overdue</i>	<i>Income not accrued in 2008</i>	<i>In arrears since</i>
Guinea-Bissau	3 141	857	32	Dec 1995
Total	3 141	857	32	

The income from loans reported in the statement of revenues and expenses for 2008 includes US\$4,273,000 (2007 – US\$2,537,000) in respect of income received relating to prior years.

Details of loans approved and disbursed and of loan repayments appear in appendix H.

(c) Further analysis of loan balances

	<i>Thousands of United States dollars</i>	
	<i>2008</i>	<i>2007</i>
IFAD approved loans less cancellations and the adjustment for movement in value of total SDR loans in terms of US\$ (appendix H)		
2008 – US\$9 108 152		
2007 – US\$8 939 817		
Effective loans	8 458 277	8 197 827
Less: Undisbursed balance of effective loans	(2 265 755)	(2 285 970)
Repayments	(1 462 618)	(1 312 398)
Interest/principal receivable	18 967	24 018
Loans outstanding at nominal value	4 748 871	4 623 477
Fair value adjustment	(1 129 484)	(1 212 961)
Loans outstanding at fair value	3 619 387	3 410 516
SPA approved loans less cancellations and the adjustment for movements in value of total SDR loans in terms of US\$ (appendix H)		
2008 – US\$342 226		
2007 – US\$336 384		
Effective loans	342 226	349 425
Less: Undisbursed balance of effective loans	(308)	(1 017)
Repayments	(70 542)	(61 305)
Interest/principal receivable	694	1 035
Loans outstanding at nominal value	272 070	288 138
Fair value adjustment	(113 850)	(117 887)
Loans outstanding at fair value	158 220	170 251
Total approved loans less cancellations and the adjustment for movements in value of SDR loans in terms of US\$		
2008 – US\$9 450 378		
2007 – US\$9 289 242		
Effective loans	8 800 503	8 547 252
Undisbursed balance of effective loans	(2 266 063)	(2 286 987)
Repayments	(1 533 160)	(1 373 703)
Interest/principal receivable	19 661	25 053
Loans outstanding at nominal value	5 020 941	4 911 615
Fair value adjustment	(1 243 334)	(1 330 848)
Loans outstanding at fair value	3 777 607	3 580 767

(d) Credit risk

Because of the nature of its borrowers and guarantors, the Fund expects that each of its sovereign guaranteed loans will ultimately be repaid. Collectability risk is covered by both the accumulated allowance for loan impairment losses and the accumulated allowance for the HIPC Debt Initiative. Loans with amounts overdue more than 180 days are placed in non-accrual status.

(e) Market risk

The interest rate risk associated with IFAD's loan portfolio is believed to be minimal, as 91.7 per cent (31 December 2007 – 90.2 per cent) of the current outstanding portfolio relate to borrowers on highly concessional terms, hence not subject to variation on an annual basis. An analysis of the portfolio by type of lending term is presented in appendix H, sections 5 and 10.

(f) Fair value estimation

The assumptions used in determining fair value are not sensitive to changes in discount rates. The associated impact of the exchange rate movement between SDR and United States dollars is closely monitored.

NOTE 10**FINANCIAL INSTRUMENTS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

<i>Thousands of United States dollars</i>			
<i>2008</i>	<i>Loans and receivables</i>	<i>Assets at fair value through the profit and loss</i>	<i>Held-to-maturity</i>
Net loans outstanding		3 596 800	
Other receivables	104 894		
Held-to-maturity investments			407 152
Other financial assets at fair value through profit and loss		3 281 163	
Cash and equivalents		491 548	
Total	104 894	7 369 511	407 152
<i>2007</i>			
Net loans outstanding	-	3 426 012	-
Other receivables	94 104	-	-
Held-to-maturity investments	-	-	427 968
Other financial assets at fair value through profit and loss	-	1 910 031	-
Cash and equivalents	-	437 753	-
Total	94 104	5 773 796	427 968

NOTE 11**DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES****(a) Impact of the HIPC Debt Initiative**

IFAD has funded the HIPC Debt Initiative in the amount of US\$94,670,000 during the period 1998-2008. Details of funding from external donors on a cumulative basis are found in appendix D1.

For a summary of debt relief reimbursed since the start of the Initiative and of that expected in the future, please refer to appendix I. Debt relief approved by the Executive Board to date excludes all amounts relating to the enhanced Debt Initiative for the Comoros, Côte d'Ivoire, Eritrea, Kyrgyzstan, Nepal, Somalia, the Sudan and Togo. Authorization for IFAD's share of this debt relief is expected to be given by the Executive Board in 2008-2010. At the time of preparation of the 2008 consolidated financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was US\$179,075,000 (2007 – US\$213,500,000).

Gross investment income amounted to US\$1,630,000 (2007 – US\$1,166,000) from the HIPC Trust Fund balances.

The total cumulative cost of debt relief derives from the following sources:

<i>Thousands of United States dollars</i>			
	<i>2008</i>	<i>Movement</i>	<i>2007</i>
IFAD contributions 1998-2007	94 670	0	94 670
Total contributions from external sources (appendix D1)	175 651	0	175 651
Net cumulative investment income	7 887	1 630	6 257
Short fall between debt relief approved and funds available	29 934	(85 884)	115 817
Cumulative net exchange rate movements	36 905	(2 931)	39 836
Total (appendix I)	345 046	(87 185)	432 231

(b) Accumulated allowance for the HIPC Debt Initiative

The balances for the years ended 31 December are summarized below:

<i>Thousands of United States dollars</i>		
	<i>2008</i>	<i>2007</i>
Balance at beginning of year	148 004	279 393
New approvals	26 584	3 173
Change in provision	(11 320)	(147 380)
Exchange rate movements	(2 931)	12 818
Balance at end of year	160 337	148 004
Fair value adjustment	(42 352)	(49 818)
Fair value equivalent	117 985	98 186

NOTE 12**PAYABLES AND LIABILITIES**

<i>Thousands of United States dollars</i>		
	<i>2008</i>	<i>2007 Restated</i>
Cash collateral liabilities	474 229	816 703
Payable for investments purchased	210 565	219 336
ASMCS liability	50 113	41 355
Other payables and accrued liabilities	65 948	64 726
	326 626	325 417
Total	800 855	1 142 120

Of the total above, approximately US\$187,623,000 (2007 – US\$76,141,000) is estimated to be payable in more than one year from the balance sheet date.

NOTE 13**DEFERRED REVENUES**

Deferred contribution balances represent contributions received for which the revenue recognition has been deferred to future periods to match the related costs. Deferred income includes amounts relating to service charges received for which the related costs have not yet been incurred.

<i>Thousands of United States dollars</i>		
	<i>2008</i>	<i>2007</i>
Deferred revenues	275 256	169 887
Fair value adjustment	(5 810)	(9 129)
Fair value equivalent	269 445	160 758

NOTE 14**NET FOREIGN EXCHANGE GAINS/LOSSES**

The following rates of 1 unit of SDR in terms of United States dollars as at 31 December were used:

Year	United States dollars
2008	1.53480
2007	1.57592
2006	1.50387

The movement in the account for foreign exchange rates is explained as follows:

	Thousands of United States dollars	
	2008	2007
Opening balance at 1 January	1 027 548	784 190
Exchange movements for the year on:		
Cash and investments	(67 187)	95 259
Held-to-maturity		2 556
Net receivables/payables	(4 231)	2 868
Loans and grants outstanding	(93 208)	147 305
Promissory notes and Members' receivables	(20 617)	22 089
Member States' contributions	18 491	(26 719)
Total movements in the year	(166 752)	243 358
Closing balance at 31 December	860 796	1 027 548

The movement on this account excludes the gain/loss related directly to operations, which instead is included in total foreign exchange rate movements.

NOTE 15**INCOME FROM CASH AND INVESTMENTS****(a) Investment management**

Since 1994, a major part of IFAD's investment portfolio has been entrusted to external investment managers under investment guidelines provided by the Fund. At 31 December 2008, funds under external management amounted to US\$1,892,200,000 (2007 – US\$1,393,100,000), representing some 75 per cent (2007 – 59 per cent) of total cash and investments. In addition, the cash collateral portfolio is managed by the global custodian.

(b) Derivative instruments

The Fund's investment guidelines authorize the use of the following types of derivative instruments for hedging purposes (although it is not qualified for hedging accounting), primarily to ensure alignment to the SDR basket:

(i) Futures

Future contracts open at year end were as follows:

	Thousands of United States dollars	
	2008	2007
Number of contracts open:		
Buy	1143	1 618
Sell	462	581
Net unrealized gains of open contracts (US\$ '000)	5 767	2 451
Maturity range of open contracts (days)	65 to 803	66 to 623

The underlying instruments of future contracts open at 31 December 2008 were government bonds and currencies.

(ii) Options

IFAD only permits the use of investment in exchange-traded options. It does not write option contracts. Relevant data for options at year end were as follows:

	31 December	
	2008	2007
Number of contracts open:		
Buy	504	1 104
Sell	382	1 064
Market value of open contracts (US\$ '000)	(183)	42
Net unrealized gains/(losses) of open contracts (US\$ '000)	(512)	191
Maturity range of open options (days)	23 to 257	25 to 350

The underlying instruments of option contracts open at 31 December 2008 were government bonds and money market indexes.

(iii) Covered forwards

The unrealized market-value gain on forward contracts at 31 December 2008 amounted to US\$26,752,000 (2007 – loss of US\$136,000). The maturity of forward contracts at 31 December 2008 ranged from 5 to 77 days (31 December 2007 – 7 to 79 days).

The underlying instruments of forward contracts open at 31 December 2008 were currencies.

(iv) Swaps

	31 December	
	2008	2007
Number of contracts open:		
Buy	1	
Sell	1	
Net unrealized gains of open contracts (US\$ '000)	(773)	
Nominal value (US\$ '000)	6,100	

(c) Income from cash and investments

The gross income from cash and investments for the year ended 31 December 2008 amounted to US\$136,273,000 (2007 – gross income of US\$155,190,000). This figure is gross of direct charges against investment income of US\$4,637,000 (2007 – US\$3,929,000), which are included in expenses.

	Thousands of United States dollars		
	2008		Total
	MTM*	HTM*	
Interest from fixed-income Investments	78 044	17 375	95 419
Net income from futures/options and swaps	4 010		4 010
Realized capital (loss)/gain from fixed-income securities	28 298	(511)	27 787
Unrealized gain/(loss) from fixed-income securities	13 035		13 035
Unrealized gain/(loss) on assets held as cash collateral on securities lent	(18 276)		(18 276)
Income from securities lending	4 463	820	5 283
Interest income from banks and non-convertible currencies	8 990	25	9 015
Total	118 564	17 709	136 273

*MTM=Marked to market; HTM=Held-to-maturity

<i>Thousands of United States dollars</i>			
2007			
	MTM*	HTM*	Total
Interest from fixed-income investments	68 361	29 055	97 416
Net loss from futures and options	543	-	543
Realized capital loss from fixed-income securities	(2 461)	9 169	6 708
Unrealized loss from fixed-income securities	43 359	(6 088)	37 271
Income from securities lending	1 531	360	1 891
Interest income from banks and non-convertible currencies	11 361	-	11 361
Total	122 694	32 496	155 190

*MTM=Marked to market; HTM=Held-to-maturity

For held-to-maturity investments, realized capital gains/(losses) relate to amortization.

The above figures include income for the consolidated entities, as follows:

<i>Thousands of United States dollars</i>		
	2008	2007
IFAD	131 257	146 432
ASMCS Trust Fund	1 722	1 741
HIPC Trust Fund	1 630	1 168
BSF.JP	1 217	4 284
Other supplementary funds	4 148	5 226
Less: income deferred/reclassified	(3 701)	(3 661)
Total	136 273	155 190

The annual rate of return on consolidated cash and investments in 2008 was estimated as positive 5.14 per cent net of expenses (2007 – positive 6.10 per cent net of expenses). The annual rate of return on IFAD cash and investments in 2008 was estimated as positive 5.45 per cent net of expenses (2007 – 6.10 per cent positive net of expenses).

NOTE 16

INCOME FROM OTHER SOURCES

This income relates principally to reimbursement from the host Government for specific operating expenses. It also includes service charges received from entities housed at IFAD as compensation for providing administrative services. An analysis is given below:

<i>Thousands of United States dollars</i>		
	2008	2007
Service charges	211	224
Host Government income	16 876	11 781
Income from other sources	1 774	2 036
Total	18 861	14 041

NOTE 17

INCOME FROM CONTRIBUTIONS

<i>Thousands of United States dollars</i>		
	2008	2007
Supplementary funds	30 636	107 840
BSF.JP	1 925	5 831
Total	32 561	113 671

From 2007, contributions to the HIPC Debt Initiative have been offset against the HIPC Debt Initiative expenses.

NOTE 18

OPERATING EXPENSES

An analysis of IFAD operating expenses by principal funding source is shown in appendix J.

The Programme Development Financing Facility (PDFF) finances the multi-year expenses required for the design, implementation and supervision of projects and programmes financed by loans and grants from IFAD. When an obligation is incurred in relation to the PDFF, the related costs are recorded as a separate line item within expenses in the statement of revenues and expenses and as a liability in the balance sheet for undisbursed accrued amounts. PDFF commitments are recorded as a deduction from resources available for commitment upon effectiveness of the underlying activities, based on specific milestones for each type of activity.

The costs incurred relating to PDFF, and other funding sources including the Action Plan, are classified in the accounts in accordance with the underlying nature of the expense.

NOTE 19

STAFF NUMBERS, RETIREMENT PLAN AND MEDICAL SCHEMES

(a) Staff numbers

Employees that are on IFAD's payroll are part of the retirement and medical plans offered by IFAD. These schemes include participation in the United Nations Joint Staff Pension Fund (UNJSPF) and in the After-Service Medical Coverage Scheme (ASMCS) administered by FAO.

The number of full-time equivalent employees of the Fund and other consolidated entities by principal budget source during 2008 was as follows:

	Professional	General Service	Total
IFAD administrative budget	182	204	386
IFAD PDFF	27	32	59
IFAD other sources	31	26	57
BSF.JP	2	1	3
APO/SPO*	12	-	12
Programmatic funds	2	3	5
Total 2008	256	267	523
Total 2007	237	270	507

*Associate professional officer/special programme officer

As in previous years, IFAD engaged the services of consultants, conference personnel and other temporary staff to meet its operational needs.

(b) Retirement plan

The latest actuarial valuation for the UNJSPF was prepared as at 31 December 2007. This valuation revealed an actuarial surplus, amounting to 0.49 per cent of pensionable remuneration. IFAD makes contributions on behalf of its staff (currently paid as 7.9 per cent of pensionable remuneration by the employee and 15.8 per cent by IFAD) and would be liable for its share of the unfunded liability, if any. Total retirement plan contributions made for staff in 2008 amounted to US\$8,984,000 (2007 – US\$8,024,000). Despite the difficult market conditions, the Chief Executive Officer of the UNJSPF confirmed that the ability of the UNJSPF to meet pension benefits remains fully intact.

(c) After-Service Medical Coverage Scheme

The latest actuarial valuation for the ASMCS was carried out as at 31 December 2008. The methodology used was the projected unit-credit-cost method with service prorates. The principal actuarial assumptions used were as follows: discount rate, 5.6 per cent; return on invested assets, 5.0 per cent; expected salary increase, 5.0 per cent; medical

cost increase, 5.0 per cent; inflation, 3.0 per cent; and exchange rate euro: US\$1.43. The results determined IFAD's liability as at 31 December 2008 to be some US\$50,113,000. The 2008 and 2007 financial statements include a provision and related assets constituted as follows as at 31 December:

<i>Thousands of United States dollars</i>		
	2008	2007
Past service liability		
Total provision at 1 January	(41 355)	(32 922)
Interest cost	(2 242)	(1 470)
Current service charge	(1 969)	(1 949)
Reclassification/current service charge from non-IFAD entities	-	-
Actuarial losses	(4 547)	(5 014)
Provision at 31 December	(50 113)	(41 355)
Plan assets		
Total assets at 1 January	46 199	32 922
Interest earned on balances	1 722	1 742
Contributions	9 561	11 535
Actuarial losses	-	-
Total assets at 31 December	57 482	46 199

ASMCS assets are currently invested in cash and time deposits in accordance with IFAD's investments policy.

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2008, such costs included within staff salaries and benefits in the financial statements amounted to US\$4,211,000 (2007 – US\$3,648,000).

(d) Actuarial valuation risk of the ASMC Scheme

A sensitivity analysis of the principal assumptions of the liability and service cost contained within the group data as at 31 December 2008 is shown below:

<i>Impact on</i>	<i>Liability (percentage)</i>	<i>Service cost (percentage)</i>
Medical inflation:		
6.0 per cent instead of 5.0 per cent	25.4	35.66
4.0 per cent instead of 5.0 per cent	-20.3	-26.3

NOTE 20

DIRECT BANK AND INVESTMENT COSTS

<i>Thousands of United States dollars</i>		
	2008	2007
Investment management fees	(3 546)	(2 923)
Net other charges	(641)	(582)
Tax recoverable (paid)/received	2	(10)
Total	(4 185)	(3 515)

NOTE 21

ADJUSTMENT FOR CHANGE IN FAIR VALUE

An analysis of the movement in fair value is shown below:

<i>Thousands of United States dollars</i>		
	2008	2007
Loans outstanding	53 245	(16 067)
Accumulated allowance for loan impairment losses	(44 076)	(1 573)
Accumulated allowance for HIPC Debt Initiative	(6 165)	(50 771)
Net loans outstanding	3 004	(68 411)
Contributors' promissory notes	157	(3 215)
Contributions receivable	(14 589)	(8 705)
Contributions	20 695	10 613
Undisbursed grants	(3 800)	9 414
Deferred revenues	(6 263)	1 307
Total	(796)	(58 997)

NOTE 22

HOUSED ENTITY DISCLOSURES

Grants include annual funding for entities housed at IFAD, i.e. ILC and the Global Mechanism as follows:

<i>Thousands of United States dollars</i>			
	<i>Cumulative</i>	2008	2007
ILC	10 063	1 148	-
Global Mechanism	8 782	1 232	-
Total	18 845	2 380	-

At 31 December liabilities owed to/(from) IFAD by the Global Mechanism and ILC were:

<i>Thousands of United States dollars</i>		
	2008	2007
ILC	528	(22)
Global Mechanism	(389)	1 470
Total	139	1 448

NOTE 23

CONTINGENT LIABILITIES

(a) Contingent liabilities

IFAD has contingent liabilities in respect of debt relief announced by the World Bank/International Monetary Fund for 9 countries. See note 10 for further details of the potential cost of loan principal and interest relating to these countries, as well as the future interest not accrued on debt relief already approved as shown in appendix I.

NOTE 24

DATE OF AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are authorized for issue following the recommendation of the Audit Committee in April 2009 and endorsement by the Executive Board in April 2009. The 2008 consolidated financial statements will be submitted to the Governing Council for formal approval at its next session in February 2010. The 2007 consolidated financial statements were approved by the Governing Council at its thirty-second session in February 2009.

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Statement of cumulative supplementary contributions including project cofinancing from 1978 to 2008¹
(Expressed in thousands of United States dollars)

<i>Member States</i>	<i>Project cofinancing</i>	<i>APOs</i>	<i>Other supplementary funds</i>	<i>GEF</i>	<i>Total</i>
Algeria			97		97
Angola			7		7
Australia ²	2 721		84		2 805
Austria	755				755
Bangladesh			56		56
Belgium	5 059	758	594		6 411
Belgium for BSF.JP ³			64 778		64 778
Canada	209		4 871		5 080
China			30		30
Colombia			25		25
Denmark	2 467	3 327	3 951		9 745
Finland	2 644	2 138	4 323		9 105
France	1 032	862	3 846		5 740
Germany	46	4 672	7 191		11 909
Ghana			97		97
Greece			97		97
India			1 000		1 000
Indonesia			50		50
Ireland	6 723		767		7 490
Italy	20 507	5 121	32 520		58 148
Japan	1 876	2 073	3 975		7 924
Jordan			15		15
Kuwait			139		139
Luxembourg	1 412		1 073		2 485
Malaysia			28		28
Morocco			50		50
Netherlands	67 035	4 629	10 236		81 900
Nigeria			50		50
Norway	21 401	1 709	6 296		29 406
Pakistan			25		25
Paraguay			15		15
Portugal	142		738		880
Republic of Korea		3 104			3 104
Saudi Arabia			139		139
Senegal			15		15
South Africa			10		10
Spain	1 878		8 256		10 134
Suriname	2 023				2 023
Sweden	9 421	2 385	2 059		13 865
Switzerland	8 388	343	8 188		16 919
Turkey			47		47
United Kingdom	17 402		16 183		33 585
United States		322	86		408
Total Member States	173 141	31 443	182 007		386 591

¹ Non-US\$ contributions have been translated at the year-end exchange rate.² Australia's withdrawal from IFAD membership became effective 31 July 2007.³ The contribution from Belgium includes US\$942,000 provided by the Belgian Survival Fund Joint Programme (BSF.JP).

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Statement of cumulative supplementary contributions including project cofinancing from 1978 to 2008¹ (cont.)
(Expressed in thousands of United States dollars)

<i>Non-Member States and other sources</i>	<i>Project cofinancing</i>	<i>APOs</i>	<i>Other supplementary funds</i>	<i>GEF</i>	<i>Total</i>
African Development Bank	2 800		953		3 753
Arab Bank	1 073		25		1 098
Arab Fund for Economic and Social Development	2 983				2 983
Arab Gulf Programme for United Nations Development Organizations	299				299
Bill & Melinda Gates Foundation			1010		1 010
Congressional Hunger Center			183		183
European Commission	814		158 940		159 754
Food and Agriculture Organization of the United Nations	14		21		35
Liechtenstein			5		5
National Agricultural Cooperative Federation	35				35
Office of the United Nations High Commissioner for Refugees	1 976				1 976
Organization of the Petroleum Exporting Countries	50				50
Other			485		485
Service charges surplus	50		96		146
United Nations Capital Development Fund			557		557
United Nations Development Programme			228		228
United Nations Office for the Coordination of Humanitarian Affairs	1 000				1 000
United Nations Fund for International Partnerships	82		150		232
World Bank	1 178		605	52 891	54 676
Total non-Member States and other sources	12 354		163 258	52 891	228 505
Total 2008	185 495	31 443	345 265	52 891	615 096
Total 2007	177 100	29 846	224 286	21 460	452 692

¹ Non-US\$ contributions have been translated at the year-end exchange rate.

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Statement of cumulative complementary and other contributions from 1978 to 2008

(Expressed in thousands of United States dollars)

Canada	1 511
Germany	458
India	1 000
United Kingdom	11 271
Cumulative contributions received from Belgium for the BSF.JP in the context of replenishments	67 228
<hr/>	
<i>Contributions made in the context of replenishments to the HIPC Trust Fund</i>	
Italy	4 602
Luxembourg	1 053
Netherlands	14 024
	19 679
<hr/>	
Total complementary contributions 2008	101 147
Total complementary contributions 2007	96 664

Statement of contributions from Member States and donors to the HIPC Debt Initiative

(Expressed in thousands of United States dollars)

<i>Contributions made in the context of replenishments (see previous table)</i>	19 679
Belgium	2 713
European Commission	10 512
Finland	5 193
Germany	6 989
Iceland	250
Norway	5 912
Sweden	17 000
Switzerland	3 276
World Bank HIPC Trust Fund	104 127
Total contributions to IFAD's HIPC Trust Fund 2008	175 651
Total contributions to IFAD's HIPC Trust Fund 2007	175 651

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Statement of complementary and supplementary contributions received in 2008**Contributions received for the new building in 2008**

	<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>
Bangladesh	EUR	40	59
Germany	EUR	100	153
Kuwait	EUR	100	147
Saudi Arabia	EUR	100	147
Total		340	506

Contributions received for project cofinancing in 2008

	<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>
Netherlands	US\$	388	388
Norway	NOK	9 000	1 713
Spain	EUR	1 500	1 878
United Kingdom	GBP	3 928	7 591
Total			11 570

Contributions received for associate professional officers in 2008

	<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars</i>
Denmark	US\$	63	63
Finland	US\$	332	332
Germany	US\$	290	290
Italy	US\$	409	409
Norway	US\$	37	37
Republic of Korea	US\$	285	285
Sweden	US\$	103	103
Total		1 519	1 519

Supplementary fund contributions received in 2008

	<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>
African Development Bank	US\$	800	800
Arab Center for the Studies of Arid Zones and Dry Lands	US\$	10	10
Bill & Melinda Gates Foundation	US\$	1 000	1 000
Canada	CAD	1 000	986
European Commission	EUR	41 079	52 197
Finland	EUR	400	515
Italy	EUR	3 395	4 881
Luxembourg	EUR	353	461
Netherlands-Bangladesh	US\$	110	110
Netherlands Rural Poverty Report	EUR	9	12
Norway	NOK	5 000	724
Norway ¹	US\$	625	625
Spain	EUR	2 000	2 788
Switzerland	CHF	50	49
United Nations Capital Development Fund	US\$	556	556
United Nations Development Programme, multi-donor trust funds	US\$	228	228
United Nations Fund	US\$	150	150
United Kingdom	GBP	528	1 049
World Bank – Consultative Group to Assist the Poor	US\$	150	150
Total			67 291

Complementary contributions received in 2008

	<i>Replenishment</i>	<i>Currency (thousands)</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>
Germany	RPLVII	EUR	300	458
United Kingdom	RPLVI	GBP	1 069	2 119
Total				2 577

¹ For the Indigenous People's Assistance Facility.

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Statement of unspent complementary and supplementary contributions

(Expressed in thousands of United States dollars unless otherwise stated)

Statement of movement in contributions

	<i>Project cofinancing</i>	<i>APOs</i>	<i>Other supplementary funds</i>	<i>GEF</i>	<i>Total</i>
Unspent funds as at 31 December 2008	16 053	1 558	99 285	31 449	148 885
Project cofinancing funds					
			<i>Unspent balance as at 31 December</i>		
			<i>2008</i>	<i>2007</i>	
Member States					
Canada			29		
Finland			155		52
Ireland			1 327		520
Italy			2 183		1 828
Japan			274		303
Luxembourg			317		
Netherlands			378		162
Norway			3 095		1 704
Spain			1 784		
Suriname			4		
Sweden			212		176
Switzerland			72		96
United Kingdom			5 146		1 709
Total Member States			14 976		6 550
Non-Member States					
Arab Bank			1 073		1 033
Arab Fund for Economic and Social Development					1
World Bank			4		
Total non-Member States			1 077		1 034
Total			16 053		7 584

Associate professional officer funds

	<i>Unspent balance as at 31 December</i>		<i>Cumulative number of APOs</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Belgium	9	92	4	4
Denmark	175	217	20	20
Finland	257	163	11	10
France		76	4	4
Germany	337	289	29	28
Italy	411	479	22	21
Japan	47	47	11	11
Netherlands		2	29	29
Norway	112	224	9	9
Republic of Korea	140	100	9	8
Sweden	70	49	14	14
Switzerland			3	3
United States			3	3
Total	1 558	1 738	168	164

A total of 19 APOs worked at IFAD in 2008 (2007: 15). These were financed by Belgium (1), Denmark (1), Finland (4), France (1), Germany (4), Italy (4), Norway (1), the Republic of Korea (2) and Sweden (1).

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Other supplementary and complementary funds

	<i>Unspent balance as at 31 December</i>	
	2008	2007
Member States		
Belgium	19	19
Canada	2 189	1 412
Denmark	134	132
Finland	697	717
France	105	75
Germany	1 690	864
India	1 000	1 000
Ireland	38	981
Italy	14 330	12 812
Japan	146	184
Luxembourg	831	1 097
Malaysia	13	13
Netherlands	146	192
Norway	1 479	341
Portugal	24	154
Spain	7 792	5 187
Sweden	228	532
Switzerland	897	2 056
United Kingdom	5 707	5 821
United States	1	
Total Member States	37 466	33 588
Non-Member states		
African Development Bank	376	150
Bill & Melinda Gates Foundation	548	
European Commission	59 925	5 684
Food and Agriculture Organization of the United Nations	16	
United Nations Capital Development Fund	557	
United Nations Development Programme	212	
United Nations Fund for International Partnerships	14	
World Bank	159	13
Other	12	27
Total non-Member States	61 819	5 874
Total	99 285	39 462

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2008 and 2007

Global Environment Facility

<i>Recipient country</i>	<i>Cumulative contributions received as at 31 December</i>	<i>Unspent at 1 January 2008</i>	<i>Received from donors</i>	<i>Expenses</i>	<i>Unspent at 31 December 2008</i>
ASEAN ¹ regional	4 639	20	4 299	(20)	4 299
Brazil	5 988	100			100
Burkina Faso	2 016		2 016		2 016
China	350	41		(41)	
Comoros	1 000		1 000	(1 000)	
Eritrea	150		150	(92)	58
Ethiopia	350	32		(32)	
Gambia (The)	100		100	(49)	51
Global supplement for UNCCD ²	637	25			25
Jordan	6 795	141	6 445	(139)	6 447
Kenya	4 700				
Mali	6 326	11			11
Mauritania	160		160	(103)	57
MENARID ³ monitoring and evaluation	60		60	(29)	31
Morocco	6 348	40	5 998	(18)	6 020
Niger	150		150	(99)	51
Sri Lanka	7 270		6 920		6 920
Swaziland	100		100	(55)	45
Tunisia	5 350	40	5 000	(34)	5 006
Viet Nam	100		100	(65)	35
Unallocated		255	(255)		0
Total	52 589	705	32 243	(1 776)	31 172
Interest added to funds	277	1 114	480	(1 317)	277
Total	52 866	1 819	32 723	(3 093)	31 449
Funds from cofinanciers of GEF activities	25		25	(25)	
Total	52 891	1 819	32 748	(3 118)	31 449

¹ Association of Southeast Asian Nations.² United Nations Convention to Combat Desertification.³ MENARID = Middle East and North Africa Investment Program.

AUDIT OPINION



PricewaterhouseCoopers SpA

AUDITORS' REPORT

The International Fund for Agricultural Development
Rome

We have audited the accompanying consolidated Financial Statements (Appendices A, B, B1, C, D and D1) of the International Fund for Agricultural Development (the Fund) as at and for the year ended 31 December 2008. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the consolidated financial position of the International Fund for Agricultural Development as of 31 December 2008, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 15 April 2009

PricewaterhouseCoopers SpA

John McQuiston
(Partner)

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Supplemental information

IFAD-only balance sheet at nominal value in United States dollars and retranslated in special drawing rights

As at 31 December 2008 and 2007

<i>Assets</i>	<i>Thousands of US dollars</i>		<i>Thousands of special drawing rights</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Cash on hand and in banks (note 4)	263 681	264 530	171 802	167 857
Investments (note 4)	2 813 961	3 219 080	1 833 436	2 041 247
Contributors' promissory notes (note 5)	276 728	340 842	180 302	216 282
Contributions receivable (note 5)	211 617	355 812	137 879	225 780
Less: provisions (note 6)	(168 485)	(168 485)	(109 776)	(106 912)
	319 860	528 169	208 404	335 150
Other receivables (note 7)	253 392	302 917	267 789	192 215
Fixed assets (note 8)	996	0	649	
Loans outstanding (note 9 and appendix H)	5 020 941	4 911 615	3 271 394	3 116 665
Less: accumulated allowance for loan impairment losses (note 9(a))	(133 103)	(173 990)	(86 723)	(110 406)
Less: accumulated allowance for the HIPC Debt Initiative (note 11(b) and appendix I)	(160 337)	(148 004)	(104 468)	(93 915)
Net loans outstanding	4 727 501	4 589 621	3 080 203	2 912 344
Total assets	8 379 391	8 094 317	5 562 283	5 648 814

<i>Liabilities and equity</i>	<i>Thousands of US dollars</i>		<i>Thousands of special drawing rights</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Payables and liabilities (note 12)	816 239	1 157 885	634 512	733 316
Undisbursed grants (appendix H1)	149 239	76 848	97 236	48 764
Deferred revenues (note 13)	77 840	93 396	50 716	59 264
Total liabilities	1 043 318	1 328 129	782 465	841 344
Equity				
Contributions				
Regular	5 297 525	5 296 347	4 386 360	4 382 300
Special	20 348	20 348	15 219	15 219
Total contributions (appendix G)	5 317 873	5 316 695	4 401 579	4 397 519
General Reserve	95 000	95 000	61 899	60 282
Fully committed retained earnings	1 923 199	2 164 493	316 341	349 669
Total equity	7 336 072	7 576 188	4 779 817	4 807 470
Total liabilities and equity	8 379 391	8 094 317	5 562 282	5 648 814

A statement of IFAD's balance sheet is prepared in SDR, given that most of its assets are denominated in SDR and/or currencies included in the SDR basket. This statement has been included solely for the purpose of providing additional information for the readers of the accounts and is based on nominal values.

Statement of IFAD-only resources available for commitment

For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	2008	2007
Assets in freely-convertible currencies		
Cash	263 619	264 451
Investments	2 813 473	2 401 751
Promissory notes	275 328	339 444
Other receivables ¹	126 632 ¹	69 840
	3 479 052	3 075 486
Less		
Payables and liabilities	816 387	256 804
Programme Development Financing Facility (PDFF) carry forward	3 436	2 257
General Reserve	95 000	95 000
Undisbursed effective loans	2 266 063	2 286 987
Approved loans signed but not yet effective	249 789	280 246
Undisbursed grants	149 239	76 848
	3 579 914	2 998 142
Provision for promissory notes	80 898	80 898
	3 660 811	3 079 040
Resources available for commitment	(181 759)	(3 554)
Less		
Loans not yet signed	400 086	461 745
Grants not yet signed	160 533	120 053
Net resources pre-advance commitment authority (ACA)	(742 378)	(585 352)
ACA carried forward at 1 January	585 352	453 316
ACA approved at Executive Board sessions during the year	168 300	142 784
	753 652	596 100
Less		
ACA covered in year	(11 274)	(10 748)
ACA carried forward at 31 December	742 378²	585 352
Net resources available for commitment	-	-

¹ Other receivables exclude the interfund balance due from IFAD's HIPC and ASMCS Trust Funds.² The ACA carry-forward is well within the ACA ceiling of five years of future loan reflows (amounting to approximately US\$1,380 million), as per the Seventh Replenishment definition.

Statement of contributions

As at 31 December 2008 and 2007

Summary of contributions

	<i>Thousands of United States dollars</i>	
	<i>2008</i>	<i>2007</i>
Initial contributions	1 017 314	1 017 314
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	553 776	553 509
Fourth Replenishment	361 395	361 394
Fifth Replenishment	441 282	441 170
Sixth Replenishment	566 865	569 136
Seventh Replenishment	590 523	588 145
Eighth Replenishment	691	-
Total IFAD	5 114 778	5 113 600
SPA Phase I	288 868	288 868
SPA Phase II	62 364	62 364
Total SPA	351 232	351 232
Special contributions ¹	20 348	20 348
Total replenishment contributions	5 486 358	5 485 180
Statement of complementary contributions		
Belgian Survival Fund	67 228	65 331
HIPC Debt Initiative	19 679	19 679
Other complementary contributions	14 240	11 654
Total complementary contributions	101 147	96 664
HIPC contributions not made in the context of replenishment resources	155 972	155 972
Belgian Survival Fund contributions not made in the context of replenishment resources	63 836	63 836
Statement of supplementary contributions²		
Project cofinancing	185 495	177 100
Associate professional officer funds	31 443	29 846
Other supplementary funds	257 338	160 450
Global Environment Facility	52 893	21 460
Total supplementary contributions	746 976	608 664
Total contributions	6 344 482	6 190 508
Total contributions include the following:		
Total replenishment contributions (as above)	5 486 358	5 485 180
Less provisions	(168 485)	(168 485)
Total net replenishment contributions	5 317 873	5 316 695
Less fair value adjustment	(16 157)	(36 851)
Total replenishment contributions at fair value	5 301 716	5 279 844

¹ Including Iceland's special contribution prior to membership.² Includes interest earned according to each underlying agreement.

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' contributions¹

	<i>Initial, First, Second, Third, Fourth, Fifth, Sixth Replenishments (thousands of US dollars equivalent)</i>	<i>Seventh Replenishment</i>					<i>Total</i>
		<i>Instruments deposited</i>			<i>Payments (thousands of US dollars equivalent)</i>		
		<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>	<i>Cash</i>	<i>Promissory notes</i>	
Member States							
Albania	30	US\$	10	10	10	0	10
Algeria	51 330	US\$	1 100	1 100	715	385	1 100
Angola	260						
Argentina	7 900						
Armenia	11	US\$	7	7	7	0	7
Australia ²	37 247						
Austria	42 808	EUR	8 797	12 652	8 495	4 157	12 652
Azerbaijan	100						
Bangladesh	3 756	US\$	600	600	390	210	600
Barbados	10						
Belgium	73 540	EUR	9 810	13 914	9 369	0	9 369
Belize	205						
Benin	197						
Bhutan	105	US\$	30	30	30	0	30
Bolivia	1 200	US\$	300	300	0	0	0
Bosnia and Herzegovina	0	US\$	75	75	75	0	75
Botswana	335	US\$	50	50	50	0	50
Brazil ³	44 020	US\$	7 916	7 916	0	7 916	7 916
Burkina Faso	159	US\$	100	100	100	0	100
Burundi	70	US\$	10	10	10	0	10
Cambodia	420	US\$	210	210	210	0	210
Cameroon	855	US\$	794	794	794	0	794
Canada	169 828	CAD	37 277	33 618	33 618	0	33 618
Cape Verde	26						
Central African Republic	11						
Chile	700	US\$	100	100	100	0	100
China	40 839	US\$	16 000	16 000	11 000	0	11 000
Colombia	470	US\$	170	170	170	0	170
Comoros ⁴	33						
Congo	451	US\$	300	300	300	0	300
Cook Islands	5						
Côte d'Ivoire	1 559						
Cuba	9						
Cyprus	162	US\$	30	30	30	0	30
Democratic People's Republic of Korea ⁴	800						
Democratic Republic of the Congo	1 180						
Denmark	113 350	DKK	60 000	11 565	7 830	0	7 830
Djibouti	6						
Dominica	51						
Dominican Republic	88						
Ecuador	791						
Egypt ³	14 409	US\$	3 000	3 000	900	2 100	3 000
El Salvador	100						
Eritrea	20						

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' contributions¹ (cont.)

	<i>Initial, First, Second, Third, Fourth, Fifth, Sixth Replenishments (thousands of US dollars equivalent)</i>	<i>Seventh Replenishment</i>					
		<i>Instruments deposited</i>			<i>Payments (thousands of US dollars equivalent)</i>		
		<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>	<i>Cash</i>	<i>Promissory notes</i>	<i>Total</i>
Ethiopia	191	US\$	30	30	30	0	30
Fiji	194	US\$	10	10	10	0	10
Finland	31 526	EUR	6 516	9 080	5 583	0	5 583
France ³	206 991	EUR	24 000	33 361	0	22 241	22 241
Gabon	3 282	EUR	11	15	15	0	15
Gambia (The)	45						
Germany ³	295 873	US\$	40 000	40 000	12 000	14 000	26 000
Ghana	1 266	US\$	400	400	400	0	400
Greece	2 950	US\$	1 246	1 246	1 246	0	1 246
Grenada	75						
Guatemala ³	793	US\$	250	250	0	0	0
Guinea	260	US\$	70	70	70	0	70
Guinea-Bissau	30						
Guyana	635						
Haiti	107						
Honduras	801						
Iceland	5	US\$	300	300	300	0	300
India	62 812	US\$	17 000	17 000	11 000	0	11 000
Indonesia	41 959	US\$	5 000	5 000	3 000	0	3 000
Iran (Islamic Republic of) ⁴	128 750						
Iraq ⁴	53 099	US\$	1 340	1 340	1 340	0	1 340
Ireland ⁵	6 411	EUR	6 000	8 541	6 915	0	6 915
Ireland ⁵	0	EUR	891	1 154	0	0	0
Israel	300						
Italy	224 023						
Jamaica	326						
Japan	324 600	JPY	3 635 719	36 430	16 376	20 054	36 430
Jordan	740	US\$	100	100	100	0	100
Kenya	4 518	US\$	66	66	66	0	66
Kiribati	5						
Kuwait	153 041	US\$	8 000	8 000	5 200	2 800	8 000
Lao People's Democratic Republic	154						
Lebanon	115	US\$	80	80	80	0	80
Lesotho	289	US\$	100	100	100	0	100
Liberia	39						
Libyan Arab Jamahiriya ⁴	52 000						
Luxembourg	2 506	EUR	650	934	618	316	934
Madagascar	280	US\$	97	97	97	0	97
Malawi	73						
Malaysia	1 000	US\$	125	125	125	0	125
Maldives	51						
Mali	63	US\$	127	127	127	0	127
Malta	55						
Mauritania ⁴	50						
Mauritius	270						
Mexico	30 131	US\$	3 000	3 000	2 000	0	2 000
Morocco	6 245	US\$	300	300	150	150	300
Mozambique	320	US\$	80	80	80	0	80
Myanmar	250						
Namibia	340	US\$	20	20	20	0	20

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' contributions¹ (cont.)

	<i>Initial, First, Second, Third, Fourth, Fifth, Sixth Replenishments (thousands of US dollars equivalent)</i>	<i>Seventh Replenishment</i>					<i>Total</i>
		<i>Instruments deposited</i>			<i>Payments (thousands of US dollars equivalent)</i>		
		<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>	<i>Cash</i>	<i>Promissory notes</i>	
Nepal	160						
Netherlands ³	224 811	EUR	32 000	46 032	30 741	15 291	46 032
New Zealand	7 991						
Nicaragua	99	US\$	20	20	20	0	20
Niger	175						
Nigeria	101 459	US\$	5 000	5 000	2 500	0	2 500
Norway	144 750	NOK	209 482	35 137	25 163	0	25 163
Oman	200	US\$	50	50	50	0	50
Pakistan	10 934	US\$	4 000	4 000	2 412	1 588	4 000
Panama	166	US\$	25	25	25	0	25
Papua New Guinea	170						
Paraguay	617						
Peru	760	US\$	200	200	200	0	200
Philippines	1 778	US\$	200	200	24	0	24
Portugal	3 089	EUR	873	1 263	838	425	1 263
Qatar	29 980	US\$	10 000	10 000	7 000	0	7 000
Republic of Korea	10 239	US\$	3 000	3 000	2 000	0	2 000
Republic of Moldova	6	US\$	13	13	13	0	13
Romania	151	US\$	100	100	50	0	50
Rwanda	164						
Saint Kitts and Nevis	20						
Saint Lucia	22						
Samoa	50						
Sao Tome and Principe ⁴	10						
Saudi Arabia	379 778	US\$	10 000	10 000	6 500	3 500	10 000
Senegal	271	US\$	113	113	113	0	113
Seychelles	20						
Sierra Leone	37						
Solomon Islands	10						
Somalia	10						
South Africa	500						
Spain	12 700	EUR	24 000	35 089	35 089	0	35 089
Sri Lanka	6 884						
Sudan	889						
Swaziland	238	US\$	35	35	35	0	35
Sweden	164 544	SEK	251 400	37 149	37 149	0	37 149
Switzerland ³	95 495	CHF	21 323	20 034	0	13 341	13 341
Syrian Arab Republic	967	US\$	350	350	350	0	350
Thailand	750	US\$	150	150	150	0	150
Togo	35						
Tonga	55						
Tunisia	2 578	US\$	600	600	400	0	400
Turkey	15 336	US\$	900	900	900	0	900
Uganda	245	US\$	45	45	45	0	45
United Arab Emirates	51 180	US\$	1 000	1 000	650	0	650
United Kingdom ³	175 598	GBP	27 725	39 862	0	13 952	13 952
United Republic of Tanzania	264	US\$	57	57	57	0	57
United States ³	647 674	US\$	54 000	54 000	15 428	25 057	40 485

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' contributions¹ (cont.)

	<i>Initial, First, Second, Third, Fourth, Fifth, Sixth Replenishments (thousands of US dollars equivalent)</i>	<i>Seventh Replenishment</i>						
		<i>Instruments deposited</i>			<i>Payments (thousands of US dollars equivalent)</i>			
		<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>	<i>Cash</i>	<i>Promissory notes</i>	<i>Total</i>	
Uruguay	325	US\$	100	100	100	0	100	
Venezuela (Bolivarian Republic of)	174 689	US\$	15 000	15 000	7 500	7 500	15 000	
Viet Nam	1 103	US\$	500	500	300	0	300	
Yemen	1 784	US\$	592	592	592	0	592	
Yugoslavia	108							
Zambia	307	US\$	100	100	100	0	100	
Zimbabwe	2 104							
Total Member States 31 December 2008	4 523 564			590 523	317 745	154 983	472 728	
<i>Eighth Replenishment</i>								
			<i>Instruments deposited</i>		<i>Payments (thousands of US dollars equivalent)</i>			
			<i>Currency</i>	<i>Amount (thousands)</i>	<i>Thousands of US dollars equivalent</i>	<i>Cash</i>	<i>Promissory notes</i>	<i>Total</i>
Azerbaijan		US\$		100	100	100	0	100
Cameroon		EUR		305	381	381	0	381
Ecuador		US\$		50	50	50	0	50
Madagascar		US\$		160	160	160	0	160
31 December 2008					691	691	0	691
Total contributions 31 December 2008	4 523 564				591 214	318 436	154 983	473 419
Non-Member States								
OPEC ⁶	20 000							
Other	138							
Total non-Member States	20 138					318		
31 December 2008	4 543 702				591 214	436	154 983	473 419
31 December 2007	4 545 803				588 145	174 740	164 579	339 319

¹ Amounts are expressed in thousands of United States dollars therefore payments from Afghanistan (US\$93) and Tajikistan (US\$400) do not appear on Appendix G.

² Australia's withdrawal from membership of IFAD became effective 31 July 2007.

³ See appendix D, note 5(a).

⁴ See appendix D, notes 6(a) and (b).

⁵ In addition to its pledge to the Seventh Replenishment of EUR 6 million, Ireland has made a further contribution of EUR 891,000.

⁶ Organization of the Petroleum Exporting Countries.

Statement of contributions

As at 31 December 2008 and 2007

Special Programme for Africa

	<i>First phase</i>			<i>Second phase</i>		<i>Total</i>
	<i>Instruments deposited</i>			<i>Instruments deposited</i>		
	<i>Currency</i>	<i>Amount</i>	<i>Thousands of US dollar equivalent</i>	<i>Amount</i>	<i>Thousands of US dollar equivalent</i>	
Australia	AUD	500	389			389
Belgium	EUR	31 235	34 975	11 155	12 263	47 238
Denmark	DKK	120 000	18 673			18 673
Djibouti	US\$	1	1			1
European Union	EUR	15 000	17 619			17 619
Finland	EUR	9 960	12 205			12 205
France	EUR	32 014	37 690	3 811	4 008	41 698
Germany	EUR	14 827	17 360			17 360
Greece	US\$	37	37	40	40	77
Guinea	US\$	25	25			25
Ireland	EUR	380	418	253	289	707
Italy	EUR	15 493	23 254	5 132	6 785	30 039
Italy	US\$	10 000	10 000			10 000
Japan	JPY	2 553 450	21 474			21 474
Kuwait	US\$		0	15 000	15 000	15 000
Luxembourg	EUR	247	266			266
Mauritania ¹	US\$	25	25			25
Netherlands	EUR	15 882	16 174	8 848	9 533	25 707
New Zealand	NZD	500	252			252
Niger	EUR	15	18			18
Nigeria	US\$		0	250	250	250
Norway	NOK	138 000	19 759			19 759
Spain	US\$	1 000	1 000			1 000
Sweden	SEK	131 700	19 055	25 000	4 196	23 251
Switzerland	CHF	25 000	17 049			17 049
United Kingdom	GBP	7 000	11 150			11 150
United States	US\$	10 000	10 000	10 000	10 000	20 000
31 December 2008			288 868		62 364	351 232
31 December 2007			288 868		62 364	351 232

¹ See appendix D, note 6(a).

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' replenishment contributions received in 2008¹

(Expressed in thousands of United States dollars)

<i>Member States</i>	<i>Instruments deposited^{2,3}</i>	<i>Promissory note deposit³</i>	<i>Payments</i>	
			<i>Cash</i>	<i>Promissory note encashment</i>
Third Replenishment				
Gabon			281	
Total			281	
Fifth Replenishment				
Paraguay			12	
Uruguay			100	
Total			112	
Sixth Replenishment				
Brazil				2 639
Congo			100	
Egypt				1 050
France				12 604
Ghana			300	
Germany				14 000
Netherlands				9 560
Nigeria			19	
Switzerland				7 183
United Kingdom		10 892		17 959
Total		10 892	419	64 995
Seventh Replenishment				
Algeria				385
Armenia			4	
Austria				4 574
Bangladesh				210
Belgium			4 664	
Botswana			25	
Burundi			10	
Canada		12 297		10 493
China			5 000	
Congo			300	
Cyprus			30	
Denmark		4 120		4 215
Fiji			10	
Finland			2 963	
France		10 144		
Germany				12 000
Ghana			400	
Greece			646	
Iceland			200	
Indonesia			3 000	
Iraq			670	
Ireland			3 127	
Japan				8 405
Jordan			100	
Kuwait				2 800
Lebanon			80	
Luxembourg				356
Malaysia			125	
Mexico			1 000	
Morocco	300	300		150

Statement of contributions

As at 31 December 2008 and 2007

Statement of Members' replenishment contributions received in 2008¹ (cont.)

(Expressed in thousands of United States dollars)

<i>Member States</i>	<i>Instruments deposited^{2,3}</i>	<i>Promissory note deposit³</i>	<i>Payments</i>	
			<i>Cash</i>	<i>Promissory note encashment</i>
Netherlands				17 430
Nicaragua			8	
Nigeria			2 500	
Norway			13 570	
Pakistan				1 079
Panama			8	
Peru	200		200	
Philippines	200			
Portugal		461		477
Republic of Korea			1 000	
Republic of Moldova			3	
Romania			50	
Saudi Arabia				3 500
Swaziland			15	
Sweden				12 433
Switzerland		6 411		
Thailand			150	
Tunisia			200	
Turkey			400	
Uganda			45	
United Arab Emirates			650	
United Kingdom		14 380		
United States		25 636		15 429
Uruguay			100	
Venezuela (Bolivarian Republic of)	15 000	15 000		7 500
Viet Nam			200	
Zambia			100	
Total	15 700	88 749	41 553	101 436
Eighth Replenishment				
Azerbaijan			100	
Cameroon			381	
Ecuador			50	
Madagascar			160	
Total			691	
Grand total	15 700	99 641	43 056	166 431

¹ Amounts are expressed in thousands of United States dollars therefore payment from Tajikistan (US\$200) does not appear.

² Instruments deposited also include equivalent instruments recorded on receipt of cash or promissory note where no instrument of contribution has been received.

³ Instruments deposited and promissory note deposit received in currencies other than United States dollars are translated at the date of receipt.

Statement of loans

1. IFAD: Statement of outstanding loans

As at 31 December 2008 and 2007

Borrower or guarantor	Approved loans less cancellations	Loans not yet effective	Effective loans			Outstanding loans
			Undisbursed portion	Disbursed portion	Repayments	
US\$ loans¹ (expressed in thousands)						
Bangladesh	30 000			30 000	15 000	15 000
Cape Verde	2 003			2 003	1 002	1 002
Haiti	3 500			3 500	1 794	1 706
Nepal	11 538			11 538	5 779	5 760
Sri Lanka	12 000			12 000	6 300	5 700
United Republic of Tanzania	9 488			9 488	4 863	4 626
Subtotal¹	68 530			68 530	34 737	33 793
Exchange adjustment on US\$ loans	3 087			3 087	3 250	162
Subtotal US\$ loans¹	71 617			71 617	37 986	33 631
SDR loans¹ (expressed in thousands)						
Albania	35 087	5 860	3 737	25 491	1 817	23 674
Algeria	613			613	95	518
Angola	17 250	5 250	275	11 725	847	10 878
Argentina	50 595	13 100	20 855	16 641	11 913	4 728
Armenia	45 649		7 175	38 474	948	37 526
Azerbaijan	32 659	10 850	4 113	17 697	421	17 276
Bangladesh ²	276 395		67 424	208 971	44 392	164 579
Belize	3 067	2 050		1 017	695	323
Benin	72 753		11 905	60 848	12 116	48 732
Bhutan	27 030		6 216	20 814	3 511	17 303
Bolivia	53 029	4 800	4 590	43 639	14 626	29 014
Bosnia and Herzegovina	40 257	7 500	7 957	24 801	1 033	23 768
Brazil	80 450	15 450	19 882	45 118	25 875	19 243
Burkina Faso	76 058		25 843	50 215	6 506	43 710
Burundi ²	41 689		7 758	33 931	7 677	26 254
Cambodia	27 778		3 417	24 361	258	24 103
Cameroon	41 593	8 300	9 684	23 608	3 951	19 657
Cape Verde	13 490		5 083	8 407	1 083	7 324
Central African Republic	23 044			23 044	1 758	21 286
Chad	26 150		18 627	7 523		7 523
China	381 977	21 438	68 177	292 362	43 387	248 975
Colombia	23 345		9 074	14 270	6 741	7 530
Comoros	4 182			4 182	937	3 245
Congo	13 950		8 755	5 195		5 195
Costa Rica	9 250	5 850		3 400	2 611	789
Côte d'Ivoire	21 997		10 620	11 377	1 704	9 673
Cuba	10 581			10 581	2 273	8 308
Democratic People's Republic of Korea	50 496			50 496	5 713	44 784
Democratic Republic of the Congo	39 693		18 577	21 116	3 905	17 211
Djibouti	4 462		1 694	2 768	665	2 103
Dominica	2 902			2 902	1 410	1 492
Dominican Republic	12 969		23	12 946	5 300	7 646
Ecuador	32 226		8 931	23 294	14 083	9 211
Egypt	134 705		20 682	114 023	35 276	78 747
El Salvador	73 010	19 450	4 849	48 710	20 465	28 245
Equatorial Guinea	5 794			5 794	1 225	4 569
Eritrea	24 950		8 264	16 686	998	15 689
Ethiopia	142 024		35 311	106 714	17 756	88 957
Gabon	8 593		3 800	4 793	4 793	-
Gambia (The)	29 214		6 073	23 142	3 997	19 145
Georgia	16 468		7 244	9 224	288	8 936
Ghana	108 627	4 050	36 583	67 994	9 765	58 229
Grenada	3 250		1 779	1 471	542	930
Guatemala	75 161	12 100	33 592	29 468	15 993	13 475
Guinea-Bissau	5 117			5 117	732	4 385
Guinea	74 549		22 437	52 112	8 092	44 019
Guyana	8 523	1 850		6 673	487	6 186
Haiti	60 852		23 035	37 816	8 590	29 226
Honduras	68 991		9 329	59 663	4 752	54 911
India	416 238	30 800	98 407	287 031	81 825	205 205
Indonesia ²	138 349	42 033	16 498	79 817	29 517	50 300
Jordan	32 255		5 642	26 612	11 672	14 940
Kenya	81 761	4 000	41 088	36 673	6 012	30 661
Kyrgyzstan	7 097			7 097	380	6 717
Lao People's Democratic Republic	49 573		8 419	41 154	4 745	36 409
Lebanon	14 533			14 533	10 267	4 267

Statement of loans

1. IFAD: Statement of outstanding loans (cont.)

As at 31 December 2008 and 2007

Borrower or guarantor	Approved loans less cancellations	Loans not yet effective	Effective loans			Outstanding loans
			Undisbursed portion	Disbursed portion	Repayments	
Lesotho	24 164		4 964	19 201	3 282	15 919
Liberia	10 180			10 180		10 180
Madagascar ²	99 772	11 450	25 216	63 107	11 251	51 856
Malawi ²	70 241	5 350	9 461	55 430	13 269	42 161
Maldives	10 894	2 350	2 580	5 963	1 418	4 546
Mali	78 365		15 737	62 628	10 839	51 789
Mauritania	41 467		10 828	30 639	5 393	25 246
Mauritius	11 650	3 450	2 719	5 481	2 187	3 295
Mexico	53 300		31 924	21 376	12 752	8 624
Mongolia	13 705		2 813	10 892	208	10 683
Morocco	76 559		36 268	40 291	24 494	15 797
Mozambique ²	113 558	19 100	24 158	70 300	10 258	60 042
Namibia	4 200			4 200	2 520	1 680
Nepal	72 562		18 249	54 313	15 801	38 512
Nicaragua	39 213		14 035	25 178	1 549	23 629
Niger	46 340	5 400	14 427	26 513	4 791	21 722
Nigeria	118 011	45 400	28 577	44 034	8 817	35 216
Pakistan ²	254 392		68 361	186 031	74 231	111 800
Panama	39 143	2 600	14 222	22 321	15 766	6 554
Papua New Guinea	3 901			3 901	2 834	1 067
Paraguay	19 808		7 072	12 736	10 062	2 674
Peru	54 950	9 050	5 366	40 534	19 673	20 861
Philippines	84 196	10 685	30 671	42 840	9 130	33 709
Republic of Moldova	33 300	8 100	4 746	20 454		20 454
Romania	12 400			12 400	4 133	8 267
Rwanda ²	84 816		15 577	69 239	9 408	59 831
Saint Lucia	1 242			1 242	698	544
Saint Vincent and the Grenadines	1 484			1 484	1 157	327
Sao Tome and Principe	13 761		5 206	8 554	1 470	7 084
Senegal	71 511	9 100	10 380	52 031	4 041	47 990
Seychelles	824			824	743	81
Sierra Leone	26 500		5 098	21 402	7 954	13 448
Solomon Islands	2 519			2 519	809	1 710
Somalia	19 618			19 618	941	18 677
Sri Lanka	112 505		47 953	64 552	15 124	49 428
Sudan ²	129 500		37 037	92 463	20 654	71 808
Swaziland	20 403	4 050	5 686	10 667	5 157	5 510
Syrian Arab Republic	61 368		28 659	32 709	24 271	8 438
The former Yugoslav Republic of Macedonia	11 758		37	11 721	465	11 257
Togo	17 565			17 565	1 774	15 791
Tonga	4 837			4 837	1 129	3 708
Tunisia	43 948		14 198	29 750	12 921	16 829
Turkey	42 620		18 523	24 097	17 909	6 188
Uganda ²	132 820		48 706	84 114	16 340	67 774
United Republic of Tanzania	164 058	37 650	33 200	93 208	6 779	86 429
Uruguay	18 880		3 983	14 897	10 393	4 504
Venezuela (Bolivarian Republic of)	33 621	8 800	9 836	14 984	10 873	4 111
Viet Nam	130 460	14 110	47 980	68 370	2 812	65 558
Yemen ²	139 236	12 050	22 110	105 076	27 361	77 715
Zambia	79 004		16 266	62 738	10 712	52 025
Zimbabwe	32 176			32 176	15 605	16 571
Total	5 958 117	423 426	1 476 253	4 058 438	998 580	3 059 859
Fund for Gaza and the West Bank ³	2 513			2 513		2 513
US\$ equivalent	9 144 528	649 875	2 265 755	6 228 898	1 424 632	4 804 266
Exchange adjustment on SDR loan repayments	(107 993)			(107 993)		(107 993)
Subtotal SDR loans						
31 December 2008 US\$	9 036 535	649 875	2 265 755	6 120 905	1 424 632	4 696 273
Total loans						
31 December 2008 US\$ at nominal value	9 108 152	649 875	2 265 755	6 192 508	1 462 618	4 729 904
Fair value adjustment						(1 129 484)
31 December 2008 US\$ at fair value						3 600 420
31 December 2007 US\$ at nominal value	8 257 916	787 202	2 089 191	5 381 523	1 218 163	4 599 459
Fair value adjustment						(1 212 961)
31 December 2007 US\$ at fair value						3 386 498

Statement of loans**2. IFAD: Summary of loans approved at nominal value¹**

As at 31 December 2008 and 2007

		<i>Approved loans in thousands of SDR</i>			<i>Value in thousands of United States dollars</i>					
		<i>As at 1 January 2008</i>	<i>Loans cancelled</i>	<i>Loans fully repaid</i>	<i>As at 31 December 2008</i>	<i>As at 1 January 2008</i>	<i>Loans cancelled</i>	<i>Loans fully repaid</i>	<i>Exchange rate movement SDR/US\$</i>	<i>As at 31 December 2008</i>
1978	US\$	68 530			68 530	68 530				68 530
1979	SDR	201 486			201 486	317 526			(8 285)	309 241
1980	SDR	187 228			187 228	295 056			(7 698)	287 358
1981	SDR	188 716			188 716	297 401			(7 760)	289 642
1982	SDR	103 110			103 110	162 493			(4 240)	158 253
1983	SDR	143 589			143 589	226 285			(5 904)	220 381
1984	SDR	131 907			131 907	207 875			(5 424)	202 451
1985	SDR	60 332			60 332	95 078			(2 481)	92 598
1986	SDR	23 664			23 664	37 293			(973)	36 320
1987	SDR	61 542		(17 749)	43 793	96 985		(27 241)	(2 531)	67 214
1988	SDR	80 306			80 306	126 556			(3 302)	123 254
1989	SDR	108 137			108 137	170 415			(4 446)	165 969
1990	SDR	100 885			100 885	158 987			(4 148)	154 838
1991	SDR	127 804			127 804	201 409			(5 255)	196 154
1992	SDR	150 231			150 231	236 752			(6 177)	230 575
1993	SDR	168 966			168 966	266 277			(6 948)	259 329
1994	SDR	182 760	(3 057)		179 703	288 015	(4 692)		(7 515)	275 808
1995	SDR	227 160	(5 288)		221 872	357 986	(8 116)		(9 340)	340 530
1996	SDR	240 241	(5 659)		234 582	378 601	(8 685)		(9 878)	360 037
1997	SDR	274 973	(5 389)		269 584	433 335	(8 271)		(11 306)	413 758
1998	SDR	280 517	(9 791)		270 726	442 072	(15 027)		(11 534)	415 511
1999	SDR	314 144	(5 974)		308 170	495 066	(9 169)		(12 917)	472 980
2000	SDR	305 904	(29)		305 875	482 080	(45)		(12 578)	469 457
2001	SDR	288 597	(94)		288 503	454 806	(144)		(11 867)	442 795
2002	SDR	246 100			246 100	387 834			(10 119)	377 715
2003	SDR	274 402	(691)		273 711	432 436	(1 061)		(11 283)	420 092
2004	SDR	275 750			275 750	434 560			(11 338)	423 222
2005	SDR	324 810			324 810	511 875			(13 356)	498 519
2006	SDR	350 350			350 350	552 124			(14 406)	537 718
2007	SDR	300 330	(7 100)		293 230	473 296	(10 897)		(12 349)	450 050
2008	SDR				295 006					452 776
Total	SDR	5 723 941	(43 072)	(17 749)	5 958 126	9 020 474	(66 107)	(27 241)	(235 358)	9 144 545
Total	US\$	68 530			68 530	68 530				68 530
Exchange adjustment on loans disbursed					(9)	(149 186)				(176 540)
Total					5 958 117	8 939 817				9 036 535

3. IFAD: Maturity structure of outstanding loans by period at nominal value

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

<i>Period due</i>	<i>2008</i>	<i>2007</i>
Less than 1 year	259 822	245 100
1-2 years	191 292	182 251
2-3 years	197 351	190 626
3-4 years	201 441	188 824
4-5 years	195 933	194 184
5-10 years	1 014 728	979 048
10-15 years	869 893	834 240
16-20 years	764 761	727 740
21-25 years	612 656	611 894
More than 25 years	422 027	445 552
Total	4 729 904	4 599 459

¹ Loans approved in 1978 were denominated in United States dollars and are repayable in the currencies in which withdrawals are made. Since 1979, loans have been denominated in SDRs and, for purposes of presentation in the balance sheet, the accumulated amount of loans denominated in SDRs has been valued at the US\$/SDR rate of 1.57591/1 at 31 December 2008. Since the loans were valued at 31 December 2007 at the then prevailing rate of 1.50387/1, there is an increase in value in terms of United States dollars of US\$870,013,000, attributable to the movement in exchange rates from 31 December 2007 to 31 December 2008 (from 2005 to 2006, there was a decrease in value in terms of United States dollars of US\$408,091,000).

² Repayment amounts include participation by the Netherlands and Norway in specific loans to these countries, resulting in partial early repayment and a corresponding increase in committable resources.

³ The amount of the loan to the Fund for Gaza and West bank is included in the above balance. See Appendix D, note 2(e)(ii).

Statement of loans

4. IFAD: Summary of outstanding loans by lending type at nominal value

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	2008	2007
Highly concessional terms	4 325 782	4 192 976
Intermediate terms	263 894	282 500
Ordinary terms	140 228	123 983
Total	4 729 904	4 599 459

5. Disbursement structure of undisbursed loans at nominal value

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

<i>Disbursements in</i>	2008	2007
Less than one year	488 682	500 181
1-2 years	465 716	477 482
2-3 years	427 684	439 001
3-4 years	377 225	392 392
4-5 years	316 133	331 138
5-10 years	784 806	823 594
More than 10 years	55 387	64 172
Total	2 915 633	3 027 960

6. Special Programme for Africa: Statement of loans at nominal value

As at 31 December 2008 and 2007

<i>Borrower or guarantor</i>	<i>Approved loans less cancellations</i>	<i>Undisbursed portion</i>	<i>Disbursed portion</i>	<i>Repayments</i>	<i>Outstanding loans</i>
SDR loans (expressed in thousands)					
Angola	2 767	55	2 712	335	2 378
Burkina Faso	10 546		10 546	2 227	8 319
Burundi	4 494		4 494	637	3 858
Cape Verde	2 183		2 183	476	1 707
Chad	9 617		9 617	1 765	7 852
Comoros	2 289		2 289	269	2 020
Djibouti	114		114	26	88
Ethiopia	6 660		6 660	1 910	4 750
Gambia (The)	2 638		2 638	594	2 045
Ghana	22 321		22 321	4 602	17 719
Guinea-Bissau	2 126		2 126	80	2 047
Guinea	10 762		10 762	2 690	8 071
Kenya	12 387	146	12 241	2 233	10 008
Lesotho	7 481		7 481	1 593	5 888
Madagascar	1 098		1 098	128	970
Malawi	5 777		5 777	723	5 054
Mali	10 193		10 193	2 678	7 515
Mauritania	19 020		19 020	4 224	14 797
Mozambique	8 291		8 291	2 384	5 907
Niger	11 119		11 119	2 959	8 160
Senegal	23 234		23 234	4 715	18 519
Sierra Leone	1 505		1 505	226	1 279
Sudan	26 012		26 012	5 548	20 465
Uganda	8 124		8 124	2 234	5 890
United Republic of Tanzania	6 789		6 789	1 528	5 262
Zambia	8 607		8 607	2 357	6 249
Total	226 157	201	225 956	49 141	176 815
US\$ equivalent	347 105	308	346 797	75 422	271 375
Exchange adjustment on SDR loan repayments	(4 879)		(4 879)	(4 879)	
31 December 2008 US\$ at nominal value	342 226	308	341 918	70 543	271 375
Fair value adjustment					(113 850)
31 December 2008 US\$ at fair value					157 525
31 December 2007 US\$ at nominal value	349 425	1 017	348 408	61 305	287 103
Fair value adjustment					(117 887)
31 December 2007 US\$ at fair value					169 216

Statement of loans**7. Special Programme for Africa: Summary of loans approved at nominal value¹**

As at 31 December 2008 and 2007

		<i>Approved loans expressed in thousands of SDRs</i>		<i>Value in thousands of United States dollars</i>				
		<i>As at 1 January 2008</i>	<i>Loans cancelled</i>	<i>As at 31 December 2008</i>	<i>As at 1 January 2008</i>	<i>Loans cancelled</i>	<i>Exchange rate movement SDR/US\$</i>	<i>As at 31 December 2008</i>
1986	SDR	24 902		24 902	39 244		(1 024)	38 220
1987	SDR	41 292		41 292	65 073		(1 698)	63 375
1988	SDR	34 770		34 770	54 795		(1 430)	53 365
1989	SDR	25 756		25 756	40 589		(1 059)	39 530
1990	SDR	17 370		17 370	27 374		(714)	26 660
1991	SDR	18 246		18 246	28 754		(750)	28 004
1992	SDR	6 952		6 952	10 956		(286)	10 670
1993	SDR	34 414		34 414	54 234		(1 415)	52 819
1994	SDR	16 320		16 320	25 719		(671)	25 048
1995	SDR	6 135		6 135	9 668		(252)	9 416
Total	SDR	226 157		226 157	356 405		(9 299)	347 105

8. Special Programme for Africa: Maturity structure of outstanding loans by period at nominal value

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

<i>Period due</i>	<i>2008</i>	<i>2007</i>
Less than 1 year	10 075	10 384
1-2 years	8 925	9 165
2-3 years	8 925	9 165
3-4 years	8 925	9 165
4-5 years	44 629	9 165
5-10 years	44 629	45 825
10-15 years	44 629	45 825
16-20 years	44 629	45 825
21-25 years	39 567	45 825
More than 25 years	16 443	56 759
Total	271 376	287 103

9. Special Programme for Africa: Summary of outstanding loans by lending type at nominal value

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	<i>2008</i>	<i>2007</i>
Highly concessional terms	271 376	287 103
Intermediate terms	-	-
Ordinary terms	-	-
Total	271 376	287 103

Statement of grants – IFAD-only

As at 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	<i>Undisbursed as at 1 January</i>	<i>2008 movements</i>			<i>Exchange rate</i>	<i>Undisbursed as at 31 December</i>
		<i>Effective</i>	<i>Disbursements</i>	<i>Cancellations</i>		
Non-governmental organization/Extended Cooperation Programme grants	160		(20)	(77)	(1)	63
Component grants	12 209	6 432	(1 783)	(7)	(681)	16 169
Debt Sustainability Framework grants	12 931	76 922	(6 421)		(3 492)	79 940
Research grants	51 548	33 643	(31 009)	(1 108)	(7)	53 067
Total 2008	76 848	116 997	(39 233)	(1 192)	(4 181)	149 239
Fair value adjustment						(10 598)
Total 2008 at fair value						138 641
Total 2007	54 216	61 274	(37 600)	(1 723)	681	76 848
Fair value adjustment						(10 888)
Total 2007 at fair value						65 960

Summary of the Debt Initiative for Heavily Indebted Poor Countries

At 31 December 2008, the cumulative position of the debt relief provided and estimated to be provided, under both the original and the enhanced Debt Initiative for Heavily Indebted Poor Countries, is as follows:

	<i>Debt relief provided to 31 December 2008</i>		<i>Debt relief to be provided as approved by the Executive Board</i>			<i>Total debt relief</i>
	<i>Principal</i>	<i>Interest</i>	<i>To be covered by IFAD</i>		<i>To be covered by World Bank contribution</i>	
			<i>Principal</i>	<i>Interest</i>		
Completion point countries						
Benin	4 568	1 643				6 211
Bolivia	5 900	1 890				7 790
Burkina Faso	5 476	2 286	509	147	1 244	9 663
Burundi			16 326	3 103		19 430
Cameroon	584	229	795	162	1 920	3 691
Ethiopia	7 054	2 619	4 439	1 103	11 321	26 535
Gambia (The)	236	84	2 277	528		3 125
Ghana	6 331	2 670	3 014	762	7 784	20 560
Guyana	1 526	299				1 825
Honduras	1 077	767				1 844
Madagascar	4 311	1 272	1 141	267	2 912	9 903
Malawi	2 103	652	6 008	1 250	14 823	24 836
Mali	6 211	2 431				8 642
Mauritania	5 264	1 764	1 047	266	2 739	11 081
Mozambique	8 686	3 040	1 036	234	2 658	15 654
Nicaragua	6 471	657	838	259		8 225
Niger	3 242	1 096	2 562	558	6 335	13 792
Rwanda	2 915	1 195	8 773	2 182	7 247	22 311
Sao Tome and Principe	226	69	4 340	670		5 304
Senegal	2 247	882				3 129
Sierra Leone	3 521	1 059	7 382	1 315		13 277
Uganda	12 177	4 566	(8)	(10)	379	17 104
United Republic of Tanzania	7 631	3 003	1 670	409	4 266	16 978
Zambia	4 970	1 740	4 597	1 057	11 766	24 130
Decision point countries						
Chad			1 756	421		2 176
Central African Republic			9 331	2 848		12 178
Congo				97		97
Democratic Republic of the Congo	1 504	245	5 889	2 170		9 807
Guinea			7 348	1 746		9 094
Guinea-Bissau			3 364	993		4 357
Haiti			2 042	557		2 599
Liberia			7 991	6 242		14 233
31 December 2008 SDR	104 228	36 158	104 468	29 334	75 394	349 581
Less future interest on debt relief not accrued (including interest covered by the World Bank contribution)						(43 768)
Total cumulative cost of debt relief as at 31 December 2008 (thousands of SDR)						305 813
31 December 2008 US\$	153 804	53 059	160 337	45 021	115 715	412 221
Total less future interest on debt relief not accrued (including World Bank)						(67 175)
Total cumulative cost of debt relief as at 31 December 2008 (thousands of US\$)						345 046
Fair value adjustment			(42 352)			
31 December 2008 at fair value			117 985			
31 December 2007 SDR	86 662	30 433	93 914	21 614	90 548	323 171
Less future interest on debt relief not accrued						(39 628)
Total cumulative cost of debt relief as at 31 December 2006 (thousands of SDR)						283 543
31 December 2007 US\$	125 923	43 996	148 004	34 059	142 696	494 680
Less future interest on debt relief not accrued						(62 449)
Total cumulative cost of debt relief as at 31 December 2006 (thousands of US\$)						432 231
Fair value adjustment			(49 818)			
31 December 2007 at fair value			98 186			

IFAD-only statement of operating expenses

An analysis of IFAD operating expenses by principal sources of funding
For the years ended 31 December 2008 and 2007 (expressed in thousands of United States dollars)

	<i>Administrative budgets¹</i>	<i>Programme Development Financing Facility</i>	<i>Action Plan</i>	<i>Direct charges²</i>	<i>Other sources³</i>	<i>Total</i>
Staff salaries and benefits	62 334	7 651	921	16	3 816	74 738
Office and general expenses	13 061	6 467	171	476	18 824	39 000
Consultants and other non-staff costs	7 156	14 223	1 191	36	625	23 231
Cooperating institutions	20	7 224	94	0	91	7 429
Direct bank and Investment costs				4 109		4 109
Total 2008	82 571	35 566	2 377	4 637	23 356	148 507
Total 2007	80 983	35 465	3 188	3 859	17 214	140 700

¹ These refer to IFAD and its Office of Evaluation and include one-time costs and carry forward.

² Direct charges against investment income.

³ Includes Italian Government reimbursable expenses, field presence and positions funded from service charges.

