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Enabling poor rural people
to overcome poverty

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

Executive Board — Ninety-ninth Session
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For: **Information**

Note to Executive Board members

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

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

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I. Background

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

II. Projects and programmes approved under the DSF in 2009

4. Table 1 lists the 27 projects, programmes and country-specific grants approved in 2009 under the DSF. The total value in special drawing rights is approximately SDR 126.3 million (equivalent to about US\$197.9 million),¹ or some 27.2 per cent of the overall 2009 programme of work.

III. Principal and net service and interest payment charges forgone in 2009

5. Table 2 provides information on the estimated forgone principal and interest repayments for DSF grants approved from 2007 to 2009 inclusive. Document EB 2007/90/R.2 anticipated that implementation of the DSF could entail the loss of principal repayments for a total of US\$38.8 million over the Eleventh Replenishment period (2019-2021), as a result of the cumulative level of DSF grants approved from 2007 onwards (i.e. assuming a sustained DSF over the Eleventh Replenishment). This forecast has been revised to total of US\$45.7 million, in line with the upward revision of underlying assumptions on the increase in the future programme of work.
6. The Executive Board will be provided annually with the amount of principal and net service and interest charge payments forgone, including the effect of changes in disbursement profiles and any partial (or total) reduction or cancellation, when applicable.

¹ International Monetary Fund (IMF) exchange rate as at 31 December 2009.

Table 1
DSF grants approved in 2009
 (special drawing rights, thousands)

<i>Region</i>	<i>Country</i>	<i>Title</i>	<i>Amount</i>
Western and Central Africa			
	Benin*	Rural Economic Growth Support Project	6 000
	Burkina Faso*	Rural Business Development Services Programme	5 400
	Chad	Pastoral Water and Resource Management Project in Sahelian Areas	12 595
	Mauritania*	Value Chains Development Programme for Poverty Reduction	3 856
	Côte d'Ivoire	Agricultural Rehabilitation and Poverty Reduction Project	6 300
	Gambia (The)	Livestock and Horticulture Development Project	5 050
	Liberia	Agriculture Sector Rehabilitation Project	3 150
	Guinea/FPFD [†]	Pilotage du Mécanisme d'Intervention du PNAFA	128
Eastern and Southern Africa			
	Burundi	Agricultural Intensification and Value-enhancing Support Project	9 300
	Ethiopia*	Community-based Integrated Natural Resources Management Project	4 400
	Ethiopia*	Pastoral Community Development Project II	12 575
	Eritrea	Post-crisis Rural Recovery and Development Programme	5 110
	Rwanda	Support Project for the Strategic Plan for the Transformation of Agriculture	1 870
	Rwanda	Kirehe Community-based Watershed Management Project	3 950
	Lesotho/K.E.L. [†]	Building Capacity for Conservation Agriculture	128
Asia and the Pacific			
	Afghanistan	Rural Microfinance and Livestock Support Programme	16 000
	Cambodia*	Tonle Sap Poverty Reduction and Smallholder Development Project	4 250
	Kyrgyzstan*	Forestry and Carbon Trading Project under the Tien Shan Ecosystem Development Project	2 550
	Nepal*	High-Value Agriculture Project in Hill and Mountain Areas	4 750
	Afghanistan/ICARDA [†]	Increasing Food and Nutritional Security in Afghanistan through Crop Diversification of Wheat-Based Cropping System	127
	Nepal/SNV [†]	High Value Agriculture (HVA) Inclusive Business Pilot Project	128
	Nepal/CEAPRED [†]	Pro-Poor Livelihood Promotion through Commercial High Value Agriculture in the Mid-Western Region of Nepal	78
Latin America and the Caribbean			
	Haiti	Small-scale Irrigation Development Project (PPI-2)	3 650
Near East and North Africa			
	Republic of The Sudan	Rural Access Project (RAP – Sudan)	8 200
	Republic of The Sudan	Revitalizing The Sudan Gum Arabic Production and Marketing Project	1 932
	Yemen	Dhamar Participatory Rural Development Project	4 660
	Yemen [†]	Strengthening the Institutional Capacity of the IFI Coordination Unit of the Ministry of Planning and International Cooperation (MOPIC) in Yemen	115
Total (2009)			126 251
Previous Balance			139 010^a
Overall Total			265 261

* Assistance on 50-50 grant/loan terms; non-asterisked projects receive assistance on 100 per cent grant terms.

[†] Grants originally approved in United States dollars (US\$).

^a Justification made in relation to Grant 8009A-NI of SDR 390,000. This accounts for the figure of the previous year's report being SDR 139,293.

Table 2
Forgone principal, interest and service charges
 (special drawing rights; data from 2010 inclusive is based on **estimates**)

Implementation of the DSF	Total DSF grants approved 2007 - 2009		Forgone principal and net interest/service charge			Total by replenishment
	Year	Disbursed ^a	Principal	Net interest and service charge at 0.75 per cent	Total	
VII	2007	1 263 966		1 068	1 068	36 387
	2008	4 149 679		11 805	11 805	
	2009	8 858 954		23 514	23 514	
VIII	2010	22 867 441		278 550	278 550	1 522 854
	2011	29 435 181		499 314	499 314	
	2012	32 756 658		744 989	744 989	
IX	2013	33 891 574		999 176	999 176	3 675 550
	2014	31 238 960		1 233 468	1 233 468	
	2015	27 925 094		1 442 906	1 442 906	
X	2016	23 221 124		1 617 065	1 617 065	7 438 727
	2017	17 848 292		1 750 927	1 750 927	
	2018	15 418 653	2 204 169	1 866 567	4 070 736	
XI	2019	10 547 074	4 633 682	1 929 139	6 562 820	28 056 958
	2020	5 838 821	8 842 049	1 938 177	10 780 226	
	2021		8 842 049	1 871 862	10 713 911	
XII	2022		8 842 049	1 805 546	10 647 595	31 743 840
	2023		8 842 049	1 739 231	10 581 280	
	2024		8 842 049	1 672 916	10 514 965	
XIII	2025		8 842 049	1 606 600	10 448 649	31 147 002
	2026		8 842 049	1 540 285	10 382 334	
	2027		8 842 049	1 473 970	10 316 019	
XIV	2028		8 842 049	1 407 654	10 249 703	30 550 164
	2029		8 842 049	1 341 339	10 183 388	
	2030		8 842 049	1 275 023	10 117 073	
XV	2031		8 842 049	1 208 708	10 050 757	29 953 325
	2032		8 842 049	1 142 393	9 984 442	
	2033		8 842 049	1 076 077	9 918 126	
XVI	2034		8 842 049	1 009 762	9 851 811	29 356 487
	2035		8 842 049	943 447	9 785 496	
	2036		8 842 049	877 131	9 719 180	
XVII	2037		8 842 049	810 816	9 652 865	28 759 649
	2038		8 842 049	744 501	9 586 550	
	2039		8 842 049	678 185	9 520 234	
XVIII	2040		8 842 049	611 870	9 453 919	28 162 811
	2041		8 842 049	545 554	9 387 604	
	2042		8 842 049	479 239	9 321 288	
XIX	2043		8 842 049	412 924	9 254 973	27 565 972
	2044		8 842 049	346 608	9 188 657	
	2045		8 842 049	280 293	9 122 342	
XX	2046		8 842 049	213 978	9 056 027	24 764 965
	2047		8 842 049	147 662	8 989 711	
	2048		6 637 880	81 347	6 719 227	
XXI	2049		4 208 367	31 563	4 239 930	4 239 930
	Total	265 261 472	265 261 472	41 713 149	306 974 621	306 974 621

^a Disbursements are rounded and estimated based on the average disbursement profile of the annual amount approved for IFAD's highly concessional loans without considering any cancellation or reduction. The minimal differences between the 2007 and 2008 disbursed values reported here and in the analogous report presented at the ninety-sixth session of the Executive Board (Document EB 2009/96/R.35) are due to variations in the exchange rate. For the present report, exchange rates obtained from the IMF were applied.