
Resources available for commitment

Addendum

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Useful references:

Resources available for commitment ([EB 2023/140/R.10](#))

Action: The Executive Board is invited to approve the following:

Based on the projected long-term sustainable cash flow position, the Executive Board, pursuant to article 7, section 2(b) of the Agreement Establishing IFAD, notes the current and estimated future net cash position of the Fund, generated by projecting cash outflows (resulting from financial obligations) against current and projected future cash inflows, including the proposed funding plan and future capital position updated as at 31 December 2023. On this basis, and due to the lower than foreseen programme approved in 2023, the Board authorizes the President to conclude agreements for loans and grants in an amount of up to US\$1.998 billion, to be approved by the Board in 2024.

Technical questions:

Gulnara Yunusova
Director and Treasurer
Treasury
e-mail: g.yunusova@ifad.org

Marco Penna
Senior Treasury Officer
Treasury
e-mail: m.penna@ifad.org

I. Executive summary

1. The total programme of loans and grants (PoLG) for the Twelfth Replenishment of IFAD's Resources (IFAD12) was US\$3.354 billion. Given the amounts already approved in 2022 (US\$821 million) and 2023 (US\$535 million), the IFAD12 PoLG balance remaining for approval in 2024 is US\$1.998 billion.
2. This balance for approval in 2024 differs from the total projected in September 2023 of US\$1.626 billion, which was calculated using programming assumptions as at that date.
3. Due to the realignment of project programming between 2023 and 2024, Management seeks approval from the Executive Board to allow the President to conclude agreements for loans and grants in a revised amount of US\$1.998 billion in 2024, as part of the overall IFAD12 PoLG of US\$3.354 billion.

II. Background

4. The resources available for commitment (RAC) document approved by the Executive Board in December 2023 indicated that the President could conclude agreements for loans and grants in an amount of up to US\$1.626 billion in 2024, based on the level of 2023 programming envisaged in September 2023 of US\$907 million and the resulting available resources and estimated future net cash position of the Fund.
5. Actual figures, updated as at 31 December 2023, showed that for the entire year of 2023 a total of US\$535 million in loans and grants had been approved by the Executive Board compared to the amount indicated in the RAC document approved in December 2023 of up to US\$907 million. The updated programme that is expected to be approved in 2024 has therefore increased to US\$1.998 billion from US\$1.626 billion, in order to maintain the overall US\$3.354 billion¹ programme for IFAD12.

III. Updated PoLG for 2024

6. The lower than expected amount approved in 2023 was principally the result of last-minute delays in government approval processes and other contributing factors such as changes in staffing in key government agencies and concerns over lending terms. This impacted a total of 13 projects, most of which were fully designed, comprising US\$383 million of IFAD financing.
7. IFAD remains on track to committing the entire IFAD12 PoLG by December 2024. To mitigate risks to delivery in 2024, Management has put in place a number of contingency measures:
 - (i) It has significantly enhanced monitoring of the pipeline, with intensive management and monthly meetings to review progress and take action as needed.
 - (ii) It is ensuring business continuity of staff involved in the reassignment exercise who have major deliverables for approval in 2024.
 - (iii) As a mitigation measure for potential last-minute slippages, projects due for approval in April 2025 are being advanced where possible to be ready for approval in December 2024. This "over-programming" will enable Management to replace any slippages with alternative, fully designed projects.

¹ IFAD12 PoLG does not include cancelled and repurposed loans and grants approved in previous replenishment cycles. Loans/grants cancelled or to be cancelled in 2024 and repurposed in the same year are additional to the current year's PoLG.

- (iv) Efficiencies have been sought; for example, increasing the ceiling on lapse-of-time (LOT) approval to US\$50 million, which will allow for a more flexible approval schedule.
- (v) Additional capacity has been put in place to ensure that internal processes can cope with the pipeline processing.

IV. Updated resources

Table 1
Projection of updated 2024 resources
 (Millions of United States dollars)

| | <i>2024 updated</i> | <i>2024 RAC</i> |
|---|---------------------|-----------------|
| Liquidity at beginning of year | 1 605 | 1 528 |
| <i>Inflows</i> | | |
| Loan reflows | 537 | 535 |
| Encashment of contributions ^a | 398 | 383 |
| Borrowing | 197 | 197 |
| Existing | 7 | 7 |
| Planned | 190 | 190 |
| Investment income | 47 | 27 |
| <i>Outflows</i> | | |
| Disbursements ^b | (980) | (980) |
| Existing | (975) | (947) |
| Planned | (5) | (33) |
| Borrowing obligations (debt service and fees) | (122) | (125) |
| Administrative expenses and other items | (183) | (183) |
| Other cash flows | (2) | (2) |
| <i>Net flows</i> | (108) | (148) |
| Liquidity at year-end | 1 497 | 1 380 |
| Stressed liquidity percentage | 0.83 | 0.83 |
| Stressed liquidity beginning of year^c | 1 332 | 1 268 |
| Minimum liquidity requirement (MLR) | 1 102 | 1 105 |
| MLR ratio (>100%) | 121% | 115% |

^{a,b} Excluding the Adaptation for Smallholder Agriculture Programme (ASAP).

^c Liquidity haircuts have been applied to the liquidity and investment portfolio. The resulting stressed liquidity is measured against the MLR.

8. Management updated the level of IFAD available resources as at 31 December 2023.² The updated level of resources for 2024 is still consistent with the RAC projections of a total PoLG of US\$3.354 billion for IFAD12, including the increased PoLG for 2024 of US\$1.998 billion compared to the lower projection of US\$1.626 billion for the same year, as presented in in the RAC document approved by the Board in December 2023.
9. Given the lower than envisaged level of programming in 2023, and based on the updated projected liquidity position, the funding plan and the expected levels of available capital, the sustainable PoLG level for 2024 can be increased to US\$1.998 billion in order for IFAD to maintain the US\$3.354 billion PoLG target.

V. Conclusions

10. If future contributions, loan reflows, borrowings and deployable capital deviate from planned levels, IFAD financing and commitment capacities will be affected and the PoLG will need to be adjusted further to prevent over-programming and ensure compliance with financial ratio limits.
11. Management proposes that the Executive Board authorize the President to conclude agreements for loans and grants in an estimated amount of US\$1.998 billion in 2024.

² RAC projections were updated as of 30 June 2023.