



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council — Twenty-Second Session

Rome, 17-18 February 1999

GENERAL RESERVE

1. The Audit Committee of the Executive Board, at its December 1998 meeting, began its review of the adequacy of the General Reserve with discussion on a proposal to increase the ceiling of the General Reserve from USD 100 million (approved by the Governing Council at its Fourth Session in December 1980) to USD 130 million. The Audit Committee also discussed the transfer of USD 5 million to the General Reserve from the Accumulated Surplus of IFAD's Resources for 1999, which would bring the amount in the General Reserve approved by the Executive Board to USD 100 million. As further discussion will be required, the Committee has included this item on the agenda of its April 1999 meeting. The Audit Committee felt it would not be desirable to leave the matter in abeyance until the Governing Council meets during the first quarter of 2000, and accordingly recommended that the Governing Council, at its Twenty-Second Session in February 1999, delegate authority to the Executive Board to amend the ceiling of the General Reserve.

2. The Executive Board, at its Sixty-Fifth Session in December 1998, endorsed the recommendation of the Audit Committee and, accordingly, submits the draft Resolution attached in the annex to this document to the Governing Council for its consideration.

Recommendation

3. The Governing Council is invited to adopt the draft Resolution attached hereto, authorizing the Executive Board to amend the ceiling of the General Reserve.



**DRAFT RESOLUTION ON THE AMENDMENT OF RESOLUTION 16/IV
ON THE ESTABLISHMENT OF A GENERAL RESERVE**

Resolution ..XXII

Amendment of Resolution 16/IV on the Establishment of a General Reserve

The Governing Council of IFAD,

Noting its Resolution 16/IV on the Establishment of a General Reserve, adopted on 11 December 1980, and document GC 22/L.9;

Recognizing the need to continue to provide cover for the Fund against the following risks:

- (i) potential overcommitment of the Fund as a result of a diminution in the value of assets caused by exchange rate fluctuations;
- (ii) possible delinquencies in receipt by the Fund of loan service payments;
- (iii) possible delinquencies in the recovery of amounts due to the Fund from the investment of its liquid assets; and
- (iv) potential overcommitment as a result of a diminution in the value of assets caused by fluctuations in the market value of investments;

Further recognizing that there may be a need to revise the ceiling of the General Reserve from time to time so as to realistically cover the above-mentioned risks;

Decides to amend paragraph 2(iv) of Resolution 16/IV to read as follows:

“that, subject to the above, the ceiling of the General Reserve may be amended from time to time by the Executive Board;”.