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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty-Eighth Session
Rome, 16-17 February 2005

AUDITED FINANCIAL STATEMENTS OF IFAD
AS AT 31 DECEMBER 2003

1. At its Eighty-First Session in April 2004, the Executive Board reviewed the audited Financial Statements for 2003, Appendixes A to H inclusive, and the report of the External Auditor thereon, both contained in this document. These statements, which were prepared in accordance with accounting principles recommended by the International Accounting Standards Board (IASB), have been examined in detail by the Audit Committee. The Executive Board now submits them to the present session of the Governing Council with a recommendation for their approval, in accordance with Regulation XII(6) of the *Financial Regulations of IFAD*.
2. The financial statements reflect the following key points:
 - (a) The 2003 financial statements include consolidated data for IFAD and entities that have a direct link to IFAD's core activities and are an integral part of the Fund's operational activities, namely supplementary funds (including the Belgian Survival Fund Joint Programme) and IFAD's two trust funds (the Debt Initiative for Heavily Indebted Poor Countries and After-Service Medical Coverage). The financial statements also provide separate financial data (in particular, IFAD-only data) where deemed of interest for readers.
 - (b) Additional data have been provided where considered to be of interest to readers, for example, complementary and supplementary contributions from Member States (Appendix E1). There is also a new statement (Appendix B2) presenting IFAD-only total assets in terms of Special Drawing Rights (SDR); it shows the movement in the underlying assets, which are either denominated in or pegged to the SDR basket ratios.
 - (c) Income from interest and service charges on loans amounted to USD 47.1 million in 2003, compared with USD 42.4 million in 2002. In 2003 the Fund benefited from the movement in the USD/SDR exchange rate; the SDR has strengthened against the USD by an average 8.23 per cent. The Fund has excluded interest and service charges on loans with arrears in excess of 180 days. The amount in 2003 was USD 3.5 million compared with USD 2.9 million in 2002.

- (d) The gross income from cash and investments amounted to USD 113.5 million in 2003, compared with a gain of USD 34.1 million for 2002; 2003 is the second year following the change in investment policy in December 2001. Direct charges against investment income amounted to USD 5.5 million in 2003, compared with USD 7.9 million in 2002.
- (e) IFAD's 2003 administrative budget amounted to USD 49.1 million (2002: USD 40.3 million), Programme Development Financing Facility of USD 25.0 million (2002: USD 23.2 million), Strategic Change Programme of USD 6.2 million (2002: USD 2.7 million), direct charges against cash and investment income of USD 5.5 million (2002: 7.9 million) and other sources, principally relating to costs reimbursed by the Host Government, of USD 6.7 million (2002: USD 7.3 million). The increase in costs in USD terms includes also the effect of the costs incurred in euros, for which the euro has appreciated by 24.4 per cent against the USD based on the year-end exchange rate.
- (f) IFAD has participated in the Debt Initiative for Heavily Indebted Poor Countries since 1997. In 2003, there was a charge (prior to currency effects) of USD 41.0 million (2002 – USD 53.9 million). This charge represents the shortfall between the total cumulative cost of debt relief (including future interest) of USD 368.9 million as at 31 December 2003 and the cumulative funds currently available. As shown in Appendix G, the debt relief provided to date is about USD 26.2 million (principal) plus USD 11.0 million (interest). The remaining debt relief will be given in the period 2004-37.
- (g) The increase in net assets from 2002 to 2003 from USD 5.4 billion to USD 6.3 billion is due principally to the net positive effect of exchange rate movements in the year of some USD 484.9 million (2002: USD 369.1 million) and also to the excess of revenues over expenses of some USD 28.2 million (2002: USD 82.3 million loss). The foreign exchange movements relate principally to the loans outstanding – but also to the investment portfolio and other assets (which are broadly linked to the ratios of the SDR valuation basket) – and are due to the weakening of the USD against the SDR by some 9.3 per cent based on year-end rates.

3. The Financial Statements for 2003 were reviewed in detail at the meeting of the Audit Committee held on 25 March 2004. The Chair of the Committee made a formal report at the Executive Board's Eighty-First Session in April 2004. The Executive Board recommended the adoption of these statements by the Governing Council following the Audit Committee's report.

Recommendation

4. Upon concluding its consideration of this item, the Governing Council may wish to adopt the following decision:

“The Governing Council considered and approved the Financial Statements showing the financial position of IFAD as at 31 December 2003 and the results of its operations for the year ended on that date, as contained in Appendixes A to H inclusive of the current document and the report of the External Auditor thereon.”

**INTERNATIONAL FUND
FOR AGRICULTURAL DEVELOPMENT**

CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2003 and 31 December 2002

- Appendix A - Consolidated Statement of Revenues and Expenses**
 - Appendix A1 - IFAD-Only Statement of Revenues and Expenses**
 - Appendix A2 - IFAD-Only Statement of Operating Expenses**
 - Appendix A3 - Consolidated Statement of Total Recognized Gains and Losses**
 - Appendix A4 - IFAD-Only Statement of Total Recognized Gains and Losses**
 - Appendix B - Consolidated Balance Sheet**
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 - Appendix B2 - IFAD-Only Total Assets Retranslated in SDR**
 - Appendix C - Consolidated Cash-Flow Statement**
 - Appendix D - Statement of IFAD-Only Resources Available for Commitment**
 - Appendix E - Statement of Member States' Contributions and Special Contributions**
 - Appendix E1 - Statement of Complementary and Supplementary Contributions**
 - Appendix F - Statement of Loans**
 - Appendix G - Summary of the Debt Initiative for Heavily Indebted Poor Countries**
 - Appendix H - Notes to the Consolidated Financial Statements**
- Report of the External Auditor**

These financial statements have been prepared using the symbols of the International Organization for Standardization (ISO), Geneva, International Standard 4217 and SDR. The Notes to the Consolidated Financial Statements (Appendix H) form an integral part of the financial statements.

Consolidated Statement of Revenues and Expenses¹
For the years ended 31 December (expressed in thousands of United States dollars)

	2003	2002
Revenues		
Income from loans (Note 3)	47 100	42 388
Income from cash and investments (Note 4)	114 500	34 620
Income from other sources (Note 5)	5 612	6 246
Contributions income (Note 6)	20 615	20 292
Total Revenues	187 827	103 546
Operating Expenses		
Staff salaries and benefits (Note 7)	(40 617)	(32 691)
Office and general expenses	(18 729)	(16 308)
Consultants and other non-staff costs	(26 569)	(23 941)
Cooperating institutions	(9 227)	(7 771)
Direct bank and investment costs (Note 8)	(5 277)	(7 519)
Subtotal (Note 9)	(100 419)	(88 230)
Grant expenses (Note 10)	(22 854)	(26 708)
Allowance for loan impairment losses (Note 3 (b))	17 546	(5 834)
Debt Initiative for HIPC's expenses (Note 11)	(14 010)	(39 869)
Provision for after-service medical benefits (Note 7 (c))	(4 300)	(7 900)
Total Operating Expenses	(124 037)	(168 541)
Total Revenues Less Operating Expenses	63 790	(64 995)
Net Foreign-Exchange-Rate Movements (Note 2 (c))	486 739	373 369
Transfer to Retained Earnings	550 529	308 374

¹ This statement includes transactions for the following entities:

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

See Note 2(a) for further information.

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Appendix A1

IFAD-Only Statement of Revenues and Expenses

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

	2003	Restated 2002 ¹
Revenues		
Income from loans (Note 3)	47 100	42 388
Income from cash and investments (Note 4)	113 477	34 050
Income from other sources (Note 5)	6 844	6 976
Total Revenues	167 421	83 414
Operating Expenses		
Staff salaries and benefits (Note 7)	(37 962)	(31 172)
Office and general expenses	(18 091)	(16 274)
Consultants and other non-staff costs	(22 216)	(19 068)
Cooperating institutions	(9 033)	(7 479)
Direct bank and investment costs	(5 202)	(7 388)
Subtotal (Note 9)	(92 504)	(81 381)
Grant expenses (Note 10)	(18 906)	(16 776)
Allowance for loan impairment losses (Note 3)	17 546	(5 834)
Debt Initiative for HIPC's expenses (Note 11)	(41 010)	(53 869)
Provision for after-service medical benefits (Note 7)	(4 300)	(7 900)
Total Operating Expenses	(139 174)	(165 760)
Total Revenues Less Operating Expenses	28 247	(82 346)
Net Foreign-Exchange-Rate Movements	484 921	369 102
Transfer to Retained Earnings	513 168	286 756

Appendix A2

IFAD-Only Statement of Operating Expenses

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

An analysis of IFAD operating expenses by principal source of funding:

	Administrative Budget	Programme Development Financing Facility (PDFF)	Strategic Change Programme (SCP)	Direct Charges ²	Other Sources ³	Total
Staff salaries and benefits	(34 547)	(1 675)	(685)		(1 055)	(37 962)
Office and general expenses	(9 648)	(1 841)	(1 004)	(179)	(5 419)	(18 091)
Consultants and other non-staff costs	(4 872)	(12 493)	(4 491)	(134)	(226)	(22 216)
Cooperating institutions		(9 033)				(9 033)
Direct bank and investment costs				(5 202)		(5 202)
Total 2003	(49 067)	(25 042)	(6 180)	(5 515)	(6 700)	(92 504)
Total 2002 Restated¹	(40 299)	(23 160)	(2 724)	(7 864)	(7 334)	(81 381)

¹ Restated on the basis indicated in Notes 2(a), 2(i) and Note 9.

² Direct charges against bank and investment income.

³ Includes position funded from service charges, from other funds and Italian government reimbursable expenditures.

Consolidated Statement of Total Recognized Gains and Losses

For the years ended 31 December 2003 and 2002 (expressed in thousands of United States dollars)

	Retained Earnings* from Operations	Foreign- Exchange Effects	Total Retained Earnings*
Opening Balance as at 1 January 2002	1 173 486	(170 337)	1 003 149
Total revenues less operating expenses before the effect of foreign-exchange-rate movements	(64 995)		(64 995)
Net foreign-exchange-rate movements (Note 2(c))		373 369	373 369
Retained Earnings at 31 December 2002	1 108 491	203 032	1 311 523
Total revenues less operating expenses before the effect of foreign-exchange-rate movements	63 790		63 790
Net foreign-exchange-rate movements (Note 2(c))		486 739	486 739
Retained Earnings as at 31 December 2003	1 172 281	689 771	1 862 052

IFAD-Only Statement of Total Recognized Gains and Losses

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

	Retained Earnings* from Operations	Foreign- Exchange Effects	Total Retained Earnings*
Opening Balance as at 1 January 2002	1 172 630	(171 751)	1 000 879
Total revenues less operating expenses before the effect of foreign-exchange-rate movements	(49 690)		(49 690)
Transfer to Debt Initiative for HIPC's Trust Fund	(14 000)		(14 000)
Net foreign-exchange-rate movements		369 102	369 102
Retained Earnings as at 31 December 2002 as Originally Reported	1 108 940	197 351	1 306 291
Change in accounting for Debt Initiative for HIPC's expense	(36 900)		(36 900)
Change in basis of presentation of supplementary-fund service charges	(85)		(85)
Adjustment to inter-unit interest charges	24		24
Net foreign-exchange-rate movements		(223)	(223)
Retained Earnings as at 31 December 2002 Restated (Note 2)	1 071 979	197 053	1 269 107
Total revenues less operating expenses before the effect of foreign-exchange-rate movements	28 247		28 247
Net foreign-exchange-rate movements		484 921	484 921
Retained Earnings as at 31 December 2003	1 100 226	681 974	1 782 275

* Fully committed.

Consolidated Balance Sheet¹

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

Assets	Liabilities, Contributions, Retained Earnings				
	2003	2002	2003	2002	
Cash on hand and in banks (Note 12)	270 359	361 625	Payables and liabilities (Note 16)	300 356	380 839
Investments (Note 12)	2 424 810	2 078 723	Undisbursed grants	81 032	76 501
			Deferred revenues (Note 17)	<u>54 590</u>	<u>45 901</u>
				435 978	503 241
Contributors' promissory notes (Note 13)	301 713	328 141			
Contributions receivable (Note 13)	392 536	214 127	Contributions (Note 18)		
Less: provisions (Note 14)	<u>(180 671)</u>	<u>(186 754)</u>	Regular	4 554 451	4 201 098
	513 578	355 514	Provisions	(180 671)	(186 755)
			Special	<u>20 348</u>	<u>20 348</u>
Other receivables (Note 15)	50 206	86 624	Total Contributions	4 394 128	4 034 691
Loans outstanding (Note 3 and Appendix F)	3 844 702	3 375 899	Fully committed retained earnings (Note 2(a))	1 862 052	1 311 326
Less: accumulated allowance for loan impairment losses (Note 3(b))	(60 525)	(78 071)			
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 11(c))	<u>(255 972)</u>	<u>(236 056)</u>	General Reserve (Note 19)	95 000	95 000
Net loans outstanding	3 528 205	3 061 772	Net assets	6 351 180	5 441 017
Total Assets	6 787 158	5 944 258	Total Liabilities, Contributions, Retained Earnings	6 787 158	5 944 258

¹ This balance sheet includes transactions for the following entities:

- IFAD
- SPA
- Other supplementary funds, including cofinancing, associate professional officers and programmatic supplementary funds; BSF.JP; and the Global Environment Facility
- Debt Initiative for HIPCs Trust Fund
- ASMCS Trust Fund

See Note 2(a) for further information.

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Appendix B1

IFAD-Only Balance Sheet

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

Assets	Liabilities, Contributions, Retained Earnings				
	2003	Restated 2002 ¹		2003	Restated 2002 ¹
Cash on hand and in banks	244 012	349 992	Payables and liabilities	326 405	386 386
Investments	2 311 321	2 010 280	Undisbursed grants	35 407	32 494
			Deferred revenues	<u>3 039</u>	<u>2 162</u>
				364 851	421 042
Contributors' promissory notes	272 461	292 574			
Contributions receivable	371 260	192 399	Contributions (Note 18)		
Less: provisions	<u>(180 671)</u>	<u>(186 755)</u>	Regular	4 554 451	4 201 098
	463 050	298 218	Provisions	(180 671)	(186 755)
			Special	<u>20 348</u>	<u>20 348</u>
Other receivables	89 666	99 578	Total Contributions	4 394 128	4 034 691
Loans outstanding (Note 3 and Appendix F)	3 844 702	3 375 899	Fully committed retained earnings (Note 2(a))	1 782 275	1 269 107
Less: accumulated allowance for loan impairment losses (Note 3(b))	(60 525)	(78 071)			
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 11(c))	<u>(255 972)</u>	<u>(236 056)</u>	General Reserve (Note 19)	95 000	95 000
Net loans outstanding	3 528 205	3 061 772			
			Net assets	6 271 403	5 398 798
Total Assets	6 636 254	5 819 840	Total Liabilities, Contributions, Retained Earnings	6 636 254	5 819 840

Appendix B2

IFAD-Only Total Assets Retranslated in SDR

As at 31 December (expressed in thousands of Special Drawing Rights)

Assets	2003	2002
Cash on hand and in banks	164 159	257 438
Investments	1 554 941	1 478 669
Contributors' promissory notes	183 298	215 204
Contributions receivable	249 765	141 519
Less: provisions	<u>(121 547)</u>	<u>(137 367)</u>
	311 516	219 356
Other receivables	60 323	73 245
Loans outstanding	2 586 525	2 483 155
Less: accumulated allowance for loan impairment losses	(40 718)	(57 425)
Less: accumulated allowance for the Debt Initiative for HIPCs	<u>(172 205)</u>	<u>(173 632)</u>
Net loans outstanding	2 373 602	2 252 098
Total Assets	4 464 541	4 280 806

¹ Restated on the basis indicated in Notes 2(a) and 2(i).

Consolidated Cash-Flow Statement¹
For the years ended 31 December
(Expressed in thousands of United States dollars)

	2003	2002
Cash flows from investing activities		
Loan disbursements	(288 352)	(267 295)
Loan principal repayments	140 135	126 823
Net sale of equities	5 100	484 446
Net cash flows invested in development activities	(143 117)	343 974
Cash flows from financing activities		
Payments for replenishment contributions	194 605	226 846
Net cash flows provided by financing activities	194 605	226 846
Cash flows from operating activities		
Interest received from loans	42 095	42 282
Income received from non-equity investments	26 800	295 660
Dividend income from equities	4 596	7 956
Receipts for non-replenishment contributions	61 441	56 432
Miscellaneous payments	(4 446)	(5 148)
Payments for operating expenses	(109 312)	(76 473)
Cash (payments)/receipts from other funds	(9 265)	23 050
Debt relief paid	(13 250)	(9 043)
Exchange loss on operations	(1 040)	(540)
Grant disbursements	(24 423)	(39 461)
Net cash flows (used)/provided by operating activities	(26 804)	294 715
Effects of exchange-rate movements on cash and investments excluding equities	172 167	119 954
Net increase in unrestricted cash and cash equivalents	196 851	985 489
Unrestricted cash and cash equivalents at beginning of year	2 244 218	1 258 729
Unrestricted cash and cash equivalents at end of year	2 441 069	2 244 218
COMPOSED OF:		
Unrestricted cash	269 965	361 270
Unrestricted investments excluding equities	2 171 104	1 882 948
	2 441 069	2 244 218
Cash and Cash Equivalents at End of Period		
Reconciliation of net income to net cash used by operating activities:		
Excess of revenue over expenses before exchange movements	63 790	(64 995)
Adjustment to reconcile net income to net cash provided by operations:		
- increase/(decrease) in accrued income on loans and investments	41 597	(74 099)
- increase in other receivables	(5 570)	(10 153)
- (decrease)/increase in other payables	(81 881)	304 203
- (gain)/loss on equities	(42 876)	90 753
- interest on restricted cash	(19)	334
- grants approved but not yet disbursed	(1 569)	(4 392)
- exchange loss on operations	(1 040)	(539)
- non-cash expenses relating to the Debt Initiative for HIPCs	14 010	39 869
- after-service medical provision	4 300	7 900
- loan-impairment provision movement	(17 546)	5 834
Net cash flows (used)/provided by operating activities	(26 804)	294 715

¹ See Appendix H Note 2(g).

Statement of IFAD-Only Resources Available for Commitment¹

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

		2003	2002²
Assets in freely-convertible currencies	Cash	243 618	322 899
	Investments	2 310 730	1 987 654
	Promissory notes	271 061	291 283
	Other receivables	87 634	146 652
		2 913 043	2 748 488
Less	Payables and liabilities	326 405	407 502
	Programme Development Financing Facility (PDFF) carry forward	6 842	3 031
	General Reserve	95 000	95 000
	Undisbursed effective loans	2 009 778	1 725 503
	Approved loans signed but not yet effective	344 779	342 463
	Undisbursed grants	35 407	32 251
		2 389 964	2 100 217
	Provision for promissory notes	88 176	101 400
		2 906 387	2 707 150
	Resources Available for Commitment	6 656	41 338
Less	Loans not yet signed	317 206	299 706
	Grants not yet signed	20 581	19 412
Net Resources pre-Advance Commitment Authority (ACA)	(331 131)	(277 780)	
ACA carried forward at 1 January	277 780	153 691	
ACA approved at Executive Board sessions during the year	420 400	388 100	
	698 180	541 791	
Less	ACA covered in year	(367 049)	(264 011)
ACA carried forward		331 131	277 780
Net Resources Available for Commitment		0	0

¹ See Appendix H, Note 2(h) and 14(c).

² The 2002 figures have not been restated to reflect changes in presentation and format, as described in Note 14(c).

Statement of Member States' Contributions and Special Contributions¹
As at 31 December 2003 and 2002

	Initial, First, Second, Third and Fourth ¹⁶ Replenishments	Fifth Replenishment Contributions					
		Instruments Deposited ²			Payments – USD Equivalent		
		USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes
Afghanistan	93						
Albania ⁷	10 000	USD	10 000	10 000	10 000		10 000
Algeria	49 830 000	USD	500 000	500 000	500 000		500 000
Angola ⁸	60 000	USD	100 000	100 000	100 000		100 000
Argentina	6 400 016						
Australia	31 387 568	AUD	7 857 744	5 920 417		5 920 417	5 920 417
Austria ³	28 084 579	EUR	5 665 180	5 056 165	5 056 165		5 056 165
Bangladesh	2 556 030	USD	600 000	600 000	600 000		600 000
Barbados	10 000						
Belgium ³	51 932 315	EUR	8 924 167	9 415 194	9 415 194		9 415 194
Belize ¹¹	105 333	USD	100 000	100 000	100 000		100 000
Benin	75 000	USD	25 000	25 000	25 000		25 000
Bhutan	51 000	USD	27 000	27 000	27 000		27 000
Bolivia	600 000	USD	300 000	300 000	300 000		300 000
Botswana	160 000	USD	75 000	75 000	75 000		75 000
Brazil ¹²	28 187 234	USD	7 916 263	7 916 263		7 916 263	7 916 263
Burkina Faso	60 000	USD	38 723	38 723	38 723		38 723
Burundi	69 861						
Cambodia ⁷		USD	210 000	210 000	210 000		210 000
Cameroon	404 886	USD					
Canada	114 345 485	CAD	31 010 700	20 450 788	20 450 788		20 450 788
Cape Verde	26 000						
Central African Republic	10 725						
Chile ⁶	605 000						
China (PRC)	20 338 534	USD	10 000 000	10 000 000	4 108 000		4 108 000
Colombia	270 000	USD	100 000	100 000	100 000		100 000
Comoros ⁶	32 188						
Congo	151 092						
Cook Islands ⁹	5 000						
Côte d'Ivoire	1 503 707	USD	55 115	55 115	55 115		55 115
Cuba	8 520						
Cyprus	112 000	USD	25 000	25 000	25 000		25 000
Denmark	54 473 316	DKK	193 300 000	31 469 260	16 697 486	14 771 774	31 469 260
Djibouti	6 000						
Dominica	54 987						
Dominican Republic	25 000						
D.P.R. Korea ^{6,8}	700 000	USD	96 734	96 734	96 734		96 734
D.R. Congo	27 691						
Ecuador	690 994	USD	100 000	100 000	100 000		100 000
Egypt	8 408 882	USD	3 000 000	3 000 000	1 830 000	1 170 000	3 000 000
El Salvador	100 000						
Eritrea ¹⁰	5 000	USD	5 000	5 000	5 000		5 000

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	Initial, First, Second, Third and Fourth ¹⁶ Replenishments	Fifth Replenishment Contributions						Cont'd. Appendix E
		Instruments Deposited ²			Payments – USD Equivalent			
		USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
		Ethiopia	130 869	USD	30 000	30 000	30 000	
Fiji	194 228							
Finland ³	22 188 638	EUR	3 456 720	3 512 304	3 512 304		3 512 304	
France ³	142 902 924	EUR	24 005 000	30 278 705		30 278 705	30 278 705	
Gabon ⁶	2 801 000							
Gambia, The	30 086							
Germany ³	220 112 172	EUR	28 806 000	36 334 446		23 617 390	23 617 390	
Ghana	666 487	USD	300 000	300 000	300 000		300 000	
Greece ⁴	1 750 000	USD	600 000	600 000	600 000		600 000	
Grenada	25 000	USD	25 000	25 000	25 000		25 000	
Guatemala	443 021	USD	250 000	250 000	250 000		250 000	
Guinea	154 725	USD	35 000	35 000	35 000		35 000	
Guinea-Bissau	30 000							
Guyana	479 921							
Haiti	107 118							
Honduras	553 746	USD	195 714	195 714	195 714		195 714	
Iceland		USD	5 000	5 000	5 000		5 000	
India	35 812 382	USD	12 000 000	12 000 000	8 000 000		8 000 000	
Indonesia	26 959 000	USD	10 000 000	10 000 000	10 000 000		10 000 000	
Iran ⁶	128 750 000							
Iraq ⁶	53 099 000							
Ireland ³	4 089 351	EUR	986 000	918 122	918 122		918 122	
Israel	300 000							
Italy ³	132 723 260							
Jamaica	325 814							
Japan	264 271 911	JPY	3 212 100 000	28 259 442	28 259 442		28 259 442	
Jordan	580 000							
Kenya ⁶	4 407 784							
Korea, Republic of	5 239 031	USD	2 500 000	2 500 000	2 500 000		2 500 000	
Kuwait	146 041 000	USD	2 000 000	2 000 000	1 220 000	780 000	2 000 000	
Laos	52 213	USD	51 000	51 000	51 000		51 000	
Lebanon	114 999	USD						
Lesotho	189 397	USD	50 000	50 000	50 000		50 000	
Liberia	39 000							
Libyan Arab Jamahiriya ⁶	52 000 000							
Luxembourg ³	1 472 974	EUR	384 080	402 882	402 882		402 882	
Madagascar	108 357	USD	80 000	80 000	80 000		80 000	
Malawi	73 346							
Malaysia	500 000	USD	250 000	250 000	250 000		250 000	
Maldives	51 000							
Mali	41 519	USD	10 000	10 000	10 000		10 000	
Malta	34 985	USD	20 000	20 000	20 000		20 000	
Mauritania ⁶	50 000							
Mauritius	165 000	USD	85 000	85 000	85 000		85 000	

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Cont'd.							
Appendix E							
	Initial, First, Second, Third and Fourth ¹⁶ Replenishments	Fifth Replenishment Contributions					
		Instruments Deposited ²			Payments – USD Equivalent		
		USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes
Mexico	24 130 985	USD	3 000 000	3 000 000	3 000 000		3 000 000
Morocco	5 444 407	USD	500 000	500 000		250 000	250 000
Mozambique	160 390	USD	80 000	80 000	80 000		80 000
Myanmar ¹³	250 000						
Namibia ¹⁴	320 000						
Nepal	110 000						
Netherlands ³	144 488 379	EUR	26 885 600	27 259 459	27 259 459		27 259 459
New Zealand	6 847 610	NZD	2 160 000	1 131 156	658 440	472 716	1 131 156
Nicaragua ⁶	88 571						
Niger	174 807						
Nigeria ⁶	91 459 000						
Norway	94 555 182	NOK	145 185 200	19 701 084	19 701 084		19 701 084
Oman	150 000						
Pakistan	6 933 776	USD	2 000 000	2 000 000		2 000 000	2 000 000
Panama	99 965	USD	33 200	33 200	33 200		33 200
Papua New Guinea	170 000						
Paraguay	604 842						
Peru	360 000	USD	200 000	200 000	200 000		200 000
Philippines	1 477 907	USD	300 000	300 000	199 999		199 999
Portugal ^{3,5}	1 366 138	EUR	720 150	805 859	503 072	302 787	805 859
Qatar ⁶	28 980 000						
Romania	50 453						
Rwanda	159 499						
Saint Christopher and Nevis ⁸	20 000						
Saint Lucia	22 000						
Samoa	50 000						
Sao Tome and Principe ⁶	10 000						
Saudi Arabia	366 778 000	USD	3 000 000	3 000 000	1 500 000	1 500 000	3 000 000
Senegal	140 650	USD	62 737	62 737	62 737		62 737
Seychelles	19 667						
Sierra Leone	36 726						
Solomon Islands	10 000						
Somalia	10 000						
South Africa ¹⁵	500 000						
Spain	7 662 940	USD	1 980 000	1 980 000	1 980 000		1 980 000
Sri Lanka	4 883 000	USD	1 000 000	1 000 000	1 000 000		1 000 000
Sudan	488 265	USD	194 585	194 585	194 585		194 585
Swaziland	112 329	USD	66 000	66 000	66 000		66 000
Sweden	102 086 978	SEK	202 838 412	23 013 136	23 013 136		23 013 136
Switzerland	63 567 635	CHF	17 718 494	14 003 806	879 967	13 123 839	14 003 806
Syria	416 656	USD	250 000	250 000	250 000		250 000
Tajikistan ¹⁰		USD	200	200	200		200
Tanzania, United Republic of	114 385	USD	100 000	100 000	100 000		100 000
Thailand	450 000	USD	150 000	150 000	150 000		150 000
Togo	35 443						
Tonga	55 000						

Cont'd.							
Appendix E							
	Initial, First, Second, Third and Fourth ¹⁶ Replenishments	Fifth Replenishment Contributions					
		Instruments Deposited ²			Payments – USD Equivalent		
		USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes
Tunisia	1 359 806	USD	618 395	618 395	618 395		618 395
Turkey ⁶	10 036 365	USD	5 000 000	5 000 000	1 739 272		1 739 272
Uganda	155 000	USD	45 000	45 000	45 000		45 000
United Arab Emirates	49 180 000	USD	1 000 000	1 000 000	610 000	390 000	1 000 000
United Kingdom	105 025 553	GBP	18 531 000	33 130 745	2 642 700		2 642 700
United States	572 674 400	USD	30 000 000	30 000 000	29 906 143		29 906 143
Uruguay	225 000						
Venezuela	164 489 000	USD	4 600 000	4 600 000	70 026	4 529 974	4 600 000
Viet Nam	103 012	USD	500 000	500 000	500 000		500 000
Yemen	788 914	USD	498 191	498 191	498 191		498 191
Yugoslavia	108 170						
Zambia	207 262	USD	100 000	100 000	100 000		100 000
Zimbabwe	2 103 074						
Total Contributions							
31 December 2003	3 514 252 435			398 111 827	234 286 275	107 023 865	341 310 140
31 December 2002	3 509 181 617			340 511 175	113 490 441	129 928 595	243 419 036

a
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Appendix E

Statement of Member States' Contributions and Special Contributions¹
As at 31 December 2003 and 2002

	Sixth Replenishment Contributions					
	Instruments Deposited ²			Payments – USD Equivalent		
	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Angola ⁸	USD	100 000	100 000	100 000		100 000
Austria	EUR	7 831 044	9 877 687			
Bangladesh	USD	600 000	600 000		600 000	600 000
Botswana	USD	100 000	100 000	100 000		100 000
Burkina Faso	USD	60 000	60 000			
Canada	CAD	43 601 600	33 740 840		11 246 947	11 246 947
Denmark	DKK	170 000 000	28 798 184			
Eritrea ¹⁰	USD	10 000	10 000	10 000		10 000
Finland	EUR	4 600 000	5 802 210			
Gambia, The	USD	4 817	4 817	4 817		4 817
Germany	USD	40 000 000	40 000 000			
Guatemala	USD	77 332	77 332	77 332		77 332
Honduras	USD	51 896	51 896	51 896		51 896
India	USD	15 000 000	15 000 000			
Indonesia	USD	5 000 000	5 000 000			
Ireland	EUR	1 173 618	1 436 330	449 436		449 436
Luxembourg	EUR	510 000	643 288		643 288	643 288
Madagascar	USD	91 355	91 355	91 355		91 355
Mali	USD	11 020	11 020	11 020		11 020
Mauritius	USD	20 000	20 000	20 000		20 000
Mexico	USD	3 000 000	3 000 000			
Mozambique	USD	80 000	80 000	80 000		80 000
Netherlands	EUR	40 000 000	50 453 998			
Norway	NOK	194 691 467	29 264 590			
Norway	USD	2 000 000	2 000 000			
Pakistan	USD	8 300	8 300	8 300		8 300
Panama	USD	1 000 000	1 000 000			
Qatar ⁶	USD	2 500 000	2 500 000			
Republic of Korea	USD	100 000	100 000			
Romania	USD	10 000 000	10 000 000		10 000 000	10 000 000
Saudi Arabia	EUR	59 455	67 707	67 707		67 707
Senegal	EUR	2 596 500	3 056 989	3 056 989		3 056 989
Spain	USD	20 000	20 000	20 000		20 000
Swaziland	SEK	296 706 440	40 978 170	12 917 291	28 060 879	40 978 170
Sweden	USD	300 000	300 000			
Turkey ⁶	USD	1 000 000	1 000 000		1 000 000	1 000 000
United Arab Emirates	USD	5 600 000	5 600 000			
Venezuela	USD					
Total Contributions						
31 December 2003			290 854 713	17 066 143	51 551 114	68 617 257
31 December 2002			172 892	172 892		172 892

Statement of Member States' Contributions and Special Contributions¹
As at 31 December 2003 and 2002

Special Programme for Africa

	First Phase			Second Phase			
	Currency	Instruments Deposited ²		Amount	Instruments Deposited ²		Total
		Amount	USD Equivalent		USD Equivalent		
Australia	AUD	500 000	388 870			388 870	
Belgium ³	EUR	31 234 584	34 974 559	11 155 209	12 262 561	47 237 120	
Denmark	DKK	120 000 000	18 672 804			18 672 804	
Djibouti	USD	1 000	1 000			1 000	
European Union ³	EUR	15 000 000	17 618 920			17 618 920	
Finland ³	EUR	9 960 089	12 205 384			12 205 384	
France ³	EUR	32 014 294	37 690 272	3 811 225	4 008 189	41 698 461	
Germany ³	EUR	14 827 465	17 360 511			17 360 511	
Greece	USD	37 030	37 030	40 000	40 000	77 030	
Guinea	USD	25 000	25 000			25 000	
Ireland ³	EUR	380 921	418 410	253 948	288 600	707 010	
Italy ³	EUR	15 493 707	23 254 457	5 132 368	6 785 447	30 039 904	
	USD	10 000 000	10 000 000			10 000 000	
Japan	JPY	2 553 450 000	21 473 957			21 473 957	
Kuwait	USD			15 000 000	15 000 000	15 000 000	
Luxembourg ³	EUR	247 894	266 099			266 099	
Mauritania ⁶	USD	25 000	25 000			25 000	
Netherlands ³	EUR	15 882 308	16 174 040	8 848 714	9 533 084	25 707 124	
New Zealand	NZD	500 000	251 500			251 500	
Niger ³	EUR	15 245	17 730			17 730	
Nigeria	USD			250 000	250 000	250 000	
Norway	NOK	138 000 000	19 759 121			19 759 121	
Spain	USD	1 000 000	1 000 000			1 000 000	
Sweden	SEK	131 700 000	19 054 920	25 000 000	4 196 391	23 251 311	
Switzerland	CHF	25 000 000	17 048 554			17 048 554	
United Kingdom	GBP	7 000 000	11 149 647			11 149 647	
United States	USD	10 000 000	10 000 000	10 000 000	10 000 000	20 000 000	
31 December 2003			288 867 785		62 364 272	351 232 057	
31 December 2002			288 867 785		62 364 272	351 232 057	

Summary of Member States' Contributions

	Value in USD '000	
	31.12.2003	31.12.2002
Initial Contributions	1 017 310	1 017 309
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	552 495	552 311
Fourth Replenishment	361 515	356 630
Fifth Replenishment	398 112	340 511
Sixth Replenishment	290 855	173
Total IFAD	4 203 219	3 849 866
SPA First Phase	288 868	288 868
SPA Second Phase	62 364	62 364
Total SPA	351 232	351 232
Total IFAD and SPA	4 554 451	4 201 098

As at 31 December 2003 and 2002

Special Contributions	Initial, First, Second, Third and Fourth Replenishments USD Equivalent	First Phase USD Equivalent	Total USD Equivalent
IFAD			
OPEC Fund	20 000 000		20 000 000
Iceland ¹⁷	10 000		10 000
Other	129 050		129 050
31 December 2003	20 139 050	-	20 139 050
31 December 2002	20 139 050	-	20 139 050
SPA			
First Phase	-	209 345	209 345
31 December 2003	-	209 345	209 345
31 December 2002	-	209 345	209 345
Total IFAD and SPA			
31 December 2003	20 139 050	209 345	20 348 395
31 December 2002	20 139 050	209 345	20 348 395

Notes to Statement of Member States' Contributions and Special Contributions

- 1/ Member States' contributions have been translated on the basis of the following:
- (i) at year-end market rates of exchange for amounts paid in the form of promissory notes and not yet drawn down, and for non-convertible currencies not yet disbursed;
 - (ii) at market rates of exchange as at date of receipt for amounts in cash, including drawdown payments, and at market rates of exchange as at date of disbursement in the case of non-convertible currencies.
- 2/ In those cases where no instrument has been received, the amounts shown are the equivalent of the actual payments.
- 3/ These contributions were promised or paid in the constituent currencies of the euro prior to the introduction of the euro. For accounting convenience IFAD has converted all these contributions into euro from the said constituent currencies.
- 4/ The Twelfth Session of the Governing Council of IFAD adopted Resolution 53/XII, reclassifying Greece from membership of Category III to that of Category I, with effect from 24 January 1989.
- 5/ The Fourteenth Session of the Governing Council of IFAD adopted Resolution 65/XIV, reclassifying Portugal from membership of Category III to that of Category I, with effect from 29 May 1991.
- 6/ See Appendix H, Note 14.
- 7/ The Fifteenth Session of the Governing Council adopted Resolution 68/XV on 21 January 1992, approving the application for membership of these countries.
- 8/ These Member States completed their membership formalities after the period of the First Replenishment.
- 9/ The Sixteenth Session of the Governing Council adopted Resolution 73/XVI on 22 January 1993, approving the application for membership of these countries.
- 10/ The Seventeenth Session of the Governing Council adopted Resolution 78/XVII on 26 January 1994, approving the application for membership of these countries.
- 11/ The Sixth Session of the Governing Council approved Resolution 23/VI on 13 December 1982, approving the application for membership of these countries.
- 12/ The Eighteenth Session of the Governing Council adopted Resolution 88/XVIII on 26 January 1995, deciding that the balance of the non-convertible currency contributions of Brazil to the First and Second Replenishments shall be converted into freely convertible currencies and transferred as its contribution to the Fourth Replenishment of IFAD's Resources. As agreed with the Government of Brazil, this has taken place upon effectiveness of the Fourth Replenishment.
- 13/ This Member State completed its membership formalities after the period of the Second Replenishment.
- 14/ The Fourteenth Session of the Governing Council adopted Resolution 64/XIV on 29 May 1991, approving the application for membership of this country.
- 15/ The Nineteenth Session of the Governing Council adopted Resolution 91/XIX on 17 January 1996, approving the application for membership of this country.
- 16/ With the adoption of Resolution 86/XVIII on 26 January 1995 and its entry into force on 20 February 1997, and with the effectiveness of Resolution 87/XVIII on 29 August 1997, the Fourth Replenishment became effective and consequently 'Categories' were replaced by 'Lists', with all Member States listed in alphabetical order.
- 17/ The Twenty-Fourth Session of the Governing Council adopted Resolution 120/XXIV on 20 February 2001, approving the application for membership of this country.

Statement of Complementary and Supplementary Contributions
As at 31 December

Statement of Complementary Contributions Received Directly from Member States

	Instruments Deposited ¹			Payments – USD Equivalent		
	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Fourth Replenishment						
Belgium ²	EUR	19 831 482	23 401 179	15 180 985	8 220 194	23 401 179
Netherlands ²	EUR	12 081 227	12 486 572	10 984 923	-	10 984 923
31 December 2003			35 887 751	26 165 908	8 220 194	34 386 102
31 December 2002			32 731 170	11 498 536	18 080 646	29 579 182
Fifth Replenishment						
Belgium	EUR	14 873 611	18 049 189	2 014 746	16 034 443	18 049 189
31 December 2003			18 049 189	2 014 746	16 034 443	18 049 189
31 December 2002			15 345 921	2 014 746	13 331 175	15 345 921
Sixth Replenishment						
Belgium	EUR	6 178 656	7 443 605	2 446 136	4 997 469	7 443 605
Luxembourg	EUR	630 000	778 239	778 239	-	778 239
31 December 2003			8 221 844	3 224 375	4 997 469	8 221 844
31 December 2002			4 290 644	135 705	4 154 939	4 290 644
Total Complementary Contributions						
31 December 2003			62 158 784	31 405 029	29 252 106	60 657 135
31 December 2002			52 367 735	13 648 987	35 566 760	49 215 747

Statement of Contributions from Member States to the Debt Initiative for HIPC's received through the World Bank Trust Fund

Belgium	EUR	2 974 722	2 713 086	2 713 086	-	2 713 086
Germany	EUR	7 669 378	6 988 921	6 988 921	-	6 988 921
Norway	USD	5 911 693	5 911 693	5 911 693	-	5 911 693
31 December 2003			15 613 700	15 613 700	-	15 613 700
31 December 2002			9 702 007	9 702 007	-	9 702 007
Total contributions to Debt Initiative from Member States						
Total 31 December 2003³			28 100 272	26 598 623	-	26 598 623
Total 31 December 2002 ³			21 680 104	18 528 116	-	18 528 116

Statement of Contributions Received from Belgium for the Belgian Survival Fund Joint Programme

	Current Value of Contributions		
	Currency	Amount	USD Equivalent
Contributions not made in the context of replenishment resources	EUR	68 603 293	63 835 635
Fourth Replenishment	EUR	19 831 482	23 401 179
Fifth Replenishment	EUR	14 873 611	18 049 189
Sixth Replenishment	EUR	6 178 656	7 443 605
31 December 2003	EUR	109 487 042	114 236 578
31 December 2002	EUR	107 415 455	104 225 273

¹ In those cases where no instrument has been received, the amounts shown are the equivalent of the actual payments.

² These contributions were promised or paid in the constituent currencies of the euro prior to the introduction of the euro. For accounting convenience IFAD has converted all these contributions into euro from the said constituent currencies.

³ Comprises contributions from The Netherlands and Luxembourg included in complementary contributions received directly from Member States above.

Statement of Supplementary Contributions

Appendix E1

Cumulative Value of Contributions	USD '000 Equivalent	
	As at 31 December 2003	As at 31 December 2002
Cofinancing funds	157 744	150 549
Programmatic supplementary funds	59 519	49 759
Associate professional officer funds	22 174	19 824
Other supplementary funds	9 408	8 322
Total Supplementary Contributions	248 845	228 454

Cofinancing Funds

Donor	USD '000 Equivalent			
	Funds Available		Contribution Value	
	As at 31 December 2003	2002	2003	2002
Member States				
Austria	-	-	755	755
Australia	-	-	2 721	2 721
Belgium	127	126	5 057	5 055
Denmark	-	102	2 467	2 467
Finland	-	-	2 397	2 397
France	-	-	1 032	1 032
Germany	-	-	46	46
Ireland	3 035	2 280	4 921	3 782
Italy	1 123	802	9 594	7 847
Japan	751	34	1 626	763
Luxembourg	613	33	2 959	750
Netherlands	-	269	63 033	63 035
Norway	1 581	1 936	19 345	19 345
Portugal	-	-	142	-
Suriname	2	2	2 018	2 018
Sweden	642	655	9 379	9 379
Switzerland	1 767	2 200	8 051	8 051
United Kingdom	-	-	12 165	10 970
Non-Member States and Other Sources				
African Development Bank	-	-	2 800	2 800
Arab Fund for Economic and Social Development	686	686	2 998	2 998
Arab Gulf Programme for United Nations Development Organizations	-	-	299	299
European Union	-	-	814	814
Food and Agriculture Organization of the United Nations	-	-	14	14
National Agricultural Cooperative Federation	-	-	35	35
Organization of the Petroleum Exporting Countries Fund for International Development	-	50	50	150
Service charges surplus	-	-	50	50
Office of the United Nations High Commissioner for Refugees	-	-	1 976	1 976
United Nations Office for the Coordination of Humanitarian Affairs	-	-	1 000	1 000
Total	10 327	9 175	157 744	150 549

Programmatic Supplementary Funds

Donor	USD '000 Equivalent			
	Funds Available		Contribution Value	
	As at 31 December 2003	2002	2003	2002
Canada	296	152	329	160
Denmark	72	145	3 273	3 346
Finland	253	83	1 546	1 148
France	-	-	2 893	2 893
Germany	3 907	2 933	4 582	2 968
Ireland	1 670	2 905	1 964	3 039
Italy	11 648	7 646	16 637	9 886
Japan	866	1 675	4 020	4 707
Luxembourg	27	-	60	-
Malaysia	13	-	13	-
Netherlands	633	458	9 097	8 574
Norway	1 533	1 920	3 331	3 301
Portugal	336	317	587	462
Sweden	1 074	463	1 642	930
Switzerland	3 076	3 367	6 498	5 971
United Kingdom	726	774	2 467	1 638
World Bank	63	321	580	736
Total	26 193	23 159	59 519	49 759

Associate Professional Officer Funds

Donor	USD '000 Equivalent					
	Cumulative Number of APOs		Funds Available As at 31 December		Total Contribution Received	
	2003	2002	2003	2002	2003	2002
Belgium	3	3	-	-	321	321
Denmark	16	16	352	396	2 793	2 547
Finland	7	7	112	248	1 128	1 073
France	3	3	(37)	(37)	522	522
Germany	22	21	234	171	3 219	3 024
Italy	13	13	81	(339)	2 930	2 171
Japan	9	8	214	49	1 765	1 651
Korea	6	5	(20)	(13)	1 902	1 683
Netherlands	24	23	164	92	4 076	3 667
Norway	7	7	110	100	1 134	1 033
Sweden	11	10	(39)	(102)	1 399	1 271
Switzerland	2	2	110	92	368	244
United States	3	3	1	8	617	617
Total	126	121	1 282	665	22 174	19 824

A total of 27 APOs worked at IFAD during 2003. These were financed by Denmark (4), Finland (2), Germany (2), Italy (5), Japan (1), Korea (2), Netherlands (5), Norway (1), Sweden (4) and Switzerland (1).

Other Supplementary Funds

Donor	USD '000 Equivalent			
	Funds Available As at 31 December		Contribution Value	
	2003	2002	2003	2002
Member States				
Angola	-	-	7	7
Australia	-	-	84	84
Belgium ¹	88	-	1 480	1 392
Canada	-	-	909	909
China	-	-	30	30
Colombia	-	-	25	25
Denmark	300	-	546	246
Finland	-	-	613	613
France	-	-	90	90
Germany	-	-	20	20
Indonesia	-	-	50	50
Ireland	-	-	14	14
Italy	-	-	1 712	1 712
Jordan	-	-	15	15
Liechtenstein	-	-	5	5
Luxembourg	-	-	50	50
Malaysia	-	-	15	15
Morocco	-	-	50	50
Netherlands	-	-	231	231
Nigeria	-	-	50	50
Norway	50	-	1 178	1 128
Pakistan	-	-	25	25
Paraguay	-	-	15	15
Senegal	-	-	15	15
South Africa	-	-	10	10
Spain	-	-	8	8
Sweden	-	56	317	373
Switzerland	2	2	272	272
Turkey	-	-	47	47
United Kingdom ²	620	-	739	50
USA	-	-	85	85
Total	1 060	58	8 707	7 636
Non Member States	26	15	701	686
Grand Total	1 086	73	9 408	8 322

¹ The total contribution of Belgium includes USD 942 000 provided by the Belgian Survival Fund.

² The total contribution of the United Kingdom includes USD 689 000 equivalent relating to the Innovation Programme.

Statement of Loans¹

As at 31 December 2003 and 2002

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			Outstanding Loans
			Undisbursed Portion	Disbursed Portion	Repayments	
USD Loans ¹	USD	USD	USD	USD	USD	USD
Bangladesh	30 000 000	-	-	30 000 000	11 250 000	18 750 000
Cape Verde	2 003 243	-	-	2 003 243	751 200	1 252 043
Haiti	3 500 000	-	-	3 500 000	1 285 965	2 214 035
Nepal	11 538 262	-	-	11 538 262	4 338 500	7 199 762
Sri Lanka	12 000 000	-	-	12 000 000	4 650 000	7 350 000
Tanzania, United Republic of	9 488 456	-	-	9 488 456	3 676 786	5 811 670
Subtotal¹	68 529 961	-	-	68 529 961	25 952 451	42 577 510
Exchange adjustment on USD loans	3 251 160			3 251 160	3 121 730	129 430
Subtotal USD Loans¹	71 781 121	-	-	71 781 121	29 074 181	42 706 940

SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Albania	23 727 333	0	4 396 758	19 330 575	0	19 330 575
Algeria	33 300 530	12 150 000	9 003 868	12 146 662	9 366 856	2 779 806
Angola	12 000 000	0	6 375 481	5 624 519	0	5 624 519
Argentina	32 350 000	0	20 318 488	12 031 512	10 150 371	1 881 141
Armenia	27 300 000	0	3 327 787	23 972 213	0	23 972 213
Azerbaijan	13 350 000	0	6 013 611	7 336 389	0	7 336 389
Bangladesh ²	215 316 480	0	47 933 425	167 383 055	26 400 841	140 982 214
Belize	3 416 200	0	1 110 402	2 305 798	1 544 830	760 968
Benin	65 804 313	0	21 589 911	44 214 402	7 224 330	36 990 072
Bhutan	18 034 372	0	2 170 330	15 864 042	2 128 116	13 735 926
Bolivia	49 100 000	0	13 313 148	35 786 852	7 965 625	27 821 227
Bosnia and Herzegovina	23 957 479	0	8 273 145	15 684 334	0	15 684 334
Brazil	44 199 999	0	17 850 623	26 349 376	10 725 000	15 624 376
Burkina Faso	53 033 552	8 800 000	18 925 569	25 307 983	3 643 049	21 664 934
Burundi ²	33 046 617	0	11 885 742	21 160 875	5 386 280	15 774 595
Cambodia	28 350 000	10 850 000	6 808 781	10 691 219	0	10 691 219
Cameroon	48 202 893	9 600 000	16 019 784	22 583 109	11 921 358	10 661 751
Cape Verde	10 889 724	0	5 008 171	5 881 553	590 952	5 290 601
Central African Republic	23 282 467	0	248 666	23 033 801	1 758 492	21 275 309
Chad	17 750 000	9 500 000	7 181 866	1 068 134	0	1 068 134
Chile	3 726 874	0	0	3 726 874	2 199 996	1 526 878
China	304 432 321	21 950 000	51 641 767	230 840 554	28 307 425	202 533 129
Colombia	11 000 000	0	6 463 184	4 536 816	2 933 328	1 603 488
Comoros	4 186 867	0	4 916	4 181 951	510 267	3 671 684
Congo	1 953 279	0	0	1 953 279	1 744 469	208 810
Costa Rica	5 722 172	0	1 141 696	4 580 476	3 261 617	1 318 859
Côte d'Ivoire	30 677 969	0	18 257 204	12 420 765	6 321 308	6 099 457
Cuba	10 581 121	0	0	10 581 121	2 272 855	8 308 266
D.R. Congo	18 742 557	0	0	18 742 557	1 634 702	17 107 855
Djibouti	4 461 831	2 750 000	0	1 711 831	468 583	1 243 248
Dominica	4 246 460	0	199 817	4 046 643	1 773 750	2 272 893
Dominican Republic	29 058 437	10 600 000	3 561 554	14 896 883	5 218 031	9 678 852
Ecuador	23 821 257	0	1 783 591	22 037 666	6 567 466	15 470 200
Egypt	144 839 392	9 600 000	44 407 169	90 832 223	29 597 986	61 234 237
El Salvador	58 864 293	0	24 649 684	34 214 609	12 586 216	21 628 393
Equatorial Guinea	5 793 838	0	0	5 793 838	503 739	5 290 099
Eritrea	16 650 000	0	8 113 724	8 536 276	0	8 536 276
Ethiopia	113 774 839	14 400 000	34 733 365	64 641 474	10 577 950	54 063 524
Gabon	4 792 609	0	0	4 792 609	3 707 290	1 085 319
Gambia, The	20 608 432	0	4 007 706	16 600 726	2 241 168	14 359 558
Georgia	10 800 000	0	6 545 279	4 254 721	0	4 254 721
Ghana	79 290 184	9 750 000	22 808 141	46 732 043	5 239 430	41 492 613
Grenada	3 250 000	0	2 998 612	251 388	0	251 388
Guatemala	58 227 360	21 550 000	16 722 275	19 955 085	10 751 588	9 203 497
Guinea-Bissau	5 117 134	0	0	5 117 134	731 796	4 385 338
Guinea	74 783 729	19 350 000	13 365 922	42 067 807	3 356 394	38 711 413
Guyana	12 144 316	0	4 953 427	7 190 889	3 900 794	3 290 095
Haiti	52 051 777	0	27 811 783	24 239 994	5 409 701	18 830 293
Honduras	66 556 153	0	19 072 559	47 483 594	5 463 212	42 020 382
India	339 893 236	27 900 000	76 514 895	235 478 341	51 441 059	184 037 282

a
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Appendix F

Indonesia ²	127 825 720	15 100 000	22 589 025	90 136 695	35 512 169	54 624 526
Jamaica	2 253 312	0	0	2 253 312	2 040 320	212 992
Jordan	25 672 042	0	8 009 153	17 662 889	3 980 007	13 682 882
Kenya	50 061 042	23 600 000	7 019 964	19 441 078	3 366 144	16 074 934
Korea D.P.R.	50 500 000	0	10 530 279	39 969 721	1 876 626	38 093 095
Kyrgyzstan	7 469 449	0	2 502 546	4 966 903	0	4 966 903
Laos	36 386 516	0	9 918 965	26 467 551	2 536 619	23 930 932
Lebanon	31 384 829	10 250 000	9 714 044	11 420 785	5 204 283	6 216 502
Lesotho	14 540 053	0	4 018 322	10 521 731	2 154 597	8 367 134
Liberia	10 179 774	0	0	10 179 774	0	10 179 774
Madagascar ²	67 916 665	10 150 000	9 575 029	48 191 636	5 973 329	42 218 307
Malawi ²	59 390 887	10 700 000	2 501 108	46 189 779	8 198 557	37 991 222
Maldives	5 880 830	0	278 126	5 602 704	720 153	4 882 551
Mali	61 313 528	0	19 008 445	42 305 083	5 925 311	36 379 772
Mauritania	41 467 143	7 900 000	15 947 483	17 619 660	3 247 764	14 371 896
Mauritius	8 200 000	0	6 212 829	1 987 171	0	1 987 171
Mexico	73 489 810	10 500 000	19 009 792	43 980 018	31 728 322	12 251 696
Moldova, Republic of	16 100 000	10 300 000	2 118 116	3 681 884	0	3 681 884
Mongolia	14 650 000	0	11 426 993	3 223 007	0	3 223 007
Morocco	61 418 705	4 550 000	24 139 840	32 728 865	17 738 571	14 990 294
Mozambique ²	81 426 845	6 650 000	31 254 087	43 522 758	5 342 415	38 180 343
Namibia	4 200 000	0	527 781	3 672 219	1 120 000	2 552 219
Nepal	65 806 798	0	17 765 071	48 041 727	9 760 157	38 281 570
Nicaragua	45 582 122	10 250 000	9 570 029	25 762 093	3 255 000	22 507 093
Niger	37 029 171	7 600 000	8 636 003	20 793 168	2 515 597	18 277 571
Nigeria	84 317 941	11 350 000	36 808 226	36 159 715	15 459 694	20 700 021
Pakistan ²	202 971 916	15 250 000	45 713 687	142 008 229	54 241 730	87 766 499
Panama	45 000 000	0	26 636 037	18 363 963	11 564 565	6 799 398
Papua New Guinea	6 136 672	0	525 662	5 611 010	3 161 750	2 449 260
Paraguay	13 079 234	0	1 447 884	11 631 350	5 739 998	5 891 352
Peru	51 993 421	12 100 000	10 210 102	29 683 319	12 313 118	17 370 201
Philippines	49 703 871	0	18 826 341	30 877 530	6 760 800	24 116 730
Romania	12 400 000	0	9 378 746	3 021 254	0	3 021 254
Rwanda ²	80 188 993	10 650 000	30 453 809	39 085 184	5 297 861	33 787 323
Saint Lucia	1 550 000	0	307 912	1 242 088	258 300	983 788
Saint Vincent and the Grenadines	1 484 045	0	0	1 484 045	690 106	793 939
Samoa	1 907 723	0	0	1 907 723	291 674	1 616 049
Sao Tome and Principe	13 772 528	0	7 668 979	6 103 549	744 034	5 359 515
Senegal	50 595 355	0	30 795 273	19 800 082	2 351 196	17 448 886
Seychelles	824 334	0	0	824 334	471 885	352 449
Sierra Leone	28 396 564	5 900 000	1 906 416	20 590 148	4 125 970	16 464 178
Solomon Islands	2 519 083	0	0	2 519 083	300 769	2 218 314
Somalia	17 709 534	0	0	17 709 534	410 968	17 298 566
Sri Lanka	58 645 806	0	5 216 483	53 429 323	8 996 509	44 432 814
Sudan ²	95 649 504	17 450 000	12 543 974	65 655 530	13 555 140	52 100 390
Swaziland	16 352 735	11 900 000	0	4 452 735	1 700 000	2 752 735
Syria	59 014 816	0	37 590 491	21 424 325	10 013 334	11 410 991
Tanzania, United Republic of	82 158 332	0	28 540 241	53 618 091	2 138 032	51 480 059
Thailand	6 562 653	0	0	6 562 653	5 103 531	1 459 122
The Former Yugoslav Republic of Macedonia	11 850 000	0	7 298 719	4 551 281	0	4 551 281
Togo	17 973 930	0	675 157	17 298 773	1 520 745	15 778 028
Tonga	4 837 121	0	0	4 837 121	496 979	4 340 142
Tunisia	59 039 311	0	22 482 431	36 556 880	19 907 897	16 648 983
Turkey	31 692 911	9 250 000	6 913 933	15 528 978	10 537 588	4 991 390
Uganda ²	104 320 096	13 900 000	36 768 076	53 652 020	10 008 497	43 643 523
Uruguay	18 879 950	0	8 729 708	10 150 242	4 219 700	5 930 542
Venezuela	39 750 000	10 400 000	16 713 901	12 636 099	11 443 531	1 192 568
Viet Nam	60 400 000	0	19 560 768	40 839 232	333 750	40 505 482
Yemen ²	111 486 097	10 900 000	13 564 216	87 021 881	17 359 213	69 662 668
Zambia	63 473 699	0	15 989 129	47 484 570	5 185 676	42 298 894
Zimbabwe	46 158 137	0	13 982 082	32 176 055	15 383 160	16 792 895
Subtotal	4 849 401 949	445 350 000	1 337 035 239	3 067 016 710	721 811 861	2 345 204 849
Fund for Gaza and the West Bank ³	5 800 000	0	5 421 218	378 782	0	378 782
USD equivalent	7 288 729 399	661 984 393	1 995 475 972	4 631 269 034	1 009 979 443	3 621 289 591
Exchange adjustment on SDR loan repayments	(92 022 071)			(92 022 071)		(92 022 071)
31 December 2003						
USD	7 196 707 328	661 984 393	1 995 475 972	4 539 246 963	1 009 979 443	3 529 267 520
31 December 2002						
USD	6 462 277 347	642 169 272	1 707 712 898	4 112 395 177	1 027 182 529	3 085 212 648

Statement of Loans¹
As at 31 December
Summary (in USD '000)

		Approved Loans			Value in USD					
		As at	Loans	Loans	As at	Loans	Loans	Movement in	As at	
		31.12.02	Cancelled	Fully Repaid	31.12.03	As at	Cancelled	Fully Repaid	Exchange Rate SDR/USD	31.12.03
1978	USD	68 530			68 530	68 530				68 530
1979	SDR	210 786			210 786	286 568			26 752	313 320
1980	SDR	187 228			187 228	254 540			23 762	278 302
1981	SDR	188 716			188 716	256 563			23 951	280 514
1982	SDR	127 943		(24 833)	103 110	173 941		(33 761)	13 086	153 266
1983	SDR	205 842		(52 929)	152 913	279 846		(71 958)	19 407	227 295
1984	SDR	160 092		(7 054)	153 038	217 648		(9 590)	19 423	227 481
1985	SDR	94 338		(5 584)	88 754	128 255		(7 592)	11 264	131 927
1986	SDR	63 331			63 331	86 100			8 038	94 138
1987	SDR	94 454			94 454	128 412			11 988	140 400
1988	SDR	99 606		(7 800)	91 806	135 416		(10 604)	11 652	136 464
1989	SDR	119 821	(650)	(10 919)	108 252	162 899	(884)	(14 885)	13 780	160 910
1990	SDR	129 111		(883)	128 228	175 529		(1 200)	16 274	190 603
1991	SDR	150 895	(2 654)		148 241	205 145	(3 608)		18 814	220 351
1992	SDR	170 066	(333)		169 733	231 208	(453)		21 542	252 297
1993	SDR	185 884	(1 404)		184 480	252 713	(1 909)		23 414	274 218
1994	SDR	195 356	(3 571)		191 785	265 590	(4 855)		24 341	285 076
1995	SDR	251 100	(10 047)		241 053	341 376	(13 659)		30 593	358 310
1996	SDR	253 807	(8)		253 799	345 056	(11)		32 211	377 256
1997	SDR	288 210			288 210	391 827			36 579	428 406
1998	SDR	299 700	(4 816)		294 884	407 448	(6 547)		37 425	438 326
1999	SDR	316 050			316 050	429 676			40 112	469 788
2000	SDR	312 250			312 250	424 510			39 630	464 140
2001	SDR	316 850			316 850	430 764			40 214	470 978
2002	SDR	281 400			281 400	382 569			35 715	418 284
2003	SDR				285 850					424 898
Total	SDR	4 702 836	(23 483)	(110 002)	4 855 201					
	USD	68 530			68 530					
Total					USD	6 462 129	(31 926)	(149 590)	579 967	7 285 478
Exchange adjustment on loans disbursed						148				(88 771)
					USD	6 462 277				7 196 707

Maturity Structure of Outstanding Loans
As at 31 December 2003

PERIODS	USD '000
1 January 2004 to 31 December 2004	185 875
1 January 2005 to 31 December 2005	145 116
1 January 2006 to 31 December 2006	144 907
1 January 2007 to 31 December 2007	141 684
1 January 2008 to 31 December 2008	140 815
1 January 2009 to 31 December 2013	757 172
1 January 2014 to 31 December 2018	582 885
1 January 2019 to 31 December 2023	487 706
1 January 2024 to 31 December 2028	438 956
1 January 2029 and thereafter	504 152
Total	3 529 268

¹ Loans approved in 1978 were denominated in United States dollars and are repayable in the currencies in which withdrawals are made. From 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 USD/SDR rate of 1.48644/1 at 31 December 2003. Since the loans were valued at 31 December 2002 at the then prevailing rate of 1.35952/1, there is an increase in value in terms of United States dollars of USD 579 967 000, attributable to the movement in exchange rates from 31 December 2002 to 31 December 2003 (from 2001 to 2002, there was a increase in value in terms of United States dollars of USD 454 475 000).

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 See Appendix H, Note 3(e).

Statement of Loans – Special Programme for Africa
As at 31 December

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			Outstanding Loans
			Undisbursed Portion	Disbursed Portion	Repayments	
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Angola	2 767 309	0	938 007	1 829 302	40 887	1 788 415
Burkina Faso	10 546 114	0	0	10 546 114	869 412	9 676 702
Burundi	5 050 000	0	496 985	4 553 015	0	4 553 015
Cape Verde	2 182 547	0	0	2 182 547	209 370	1 973 177
Chad	9 617 099	0	0	9 617 099	318 949	9 298 149
Comoros	2 450 000	0	524 043	1 925 957	0	1 925 957
Djibouti	113 718	0	0	113 718	8 532	105 186
Ethiopia	6 816 469	0	0	6 816 469	816 690	5 999 779
Gambia, The	2 638 448	0	0	2 638 448	263 840	2 374 608
Ghana	22 321 749	0	7 171	22 314 578	1 806 172	20 508 406
Guinea	10 761 866	0	0	10 761 866	1 344 242	9 417 624
Guinea-Bissau	2 126 406	0	0	2 126 406	79 740	2 046 666
Kenya	13 887 096	0	5 846 548	8 040 547	641 964	7 398 583
Lesotho	7 481 439	0	0	7 481 439	658 500	6 822 939
Madagascar	1 098 064	0	0	1 098 064	0	1 098 064
Malawi	5 776 933	0	0	5 776 933	0	5 776 933
Mali	10 193 236	0	0	10 193 236	1 533 540	8 659 696
Mauritania	19 087 176	0	19 245	19 067 931	1 712 780	17 355 151
Mozambique	8 291 210	0	0	8 291 210	1 347 320	6 943 890
Niger	12 339 566	0	1 287 533	11 052 033	1 623 540	9 428 493
Senegal	23 376 422	0	556 719	22 819 703	1 881 922	20 937 781
Sierra Leone	1 505 254	0	0	1 505 254	18 816	1 486 438
Sudan	26 012 587	0	(54 839)	26 067 425	2 322 750	23 744 675
Tanzania, United Republic of	6 789 416	0	0	6 789 416	678 960	6 110 456
Uganda	8 123 651	0	0	8 123 651	1 218 540	6 905 111
Zambia	8 606 704	0	0	8 606 704	1 252 302	7 354 402
Subtotal	229 960 478	0	9 621 413	220 339 066	20 648 769	199 690 297
USD Equivalent¹	341 821 598		14 301 617	327 519 981	27 540 917	299 979 062
Exchange adjustment on SDR Loan Repayments	(3 152 162)			(3 152 162)		(3 152 162)
31 December 2003						
USD	338 669 436		14 301 617	324 367 819	27 540 917	296 826 900
31 December 2002						
USD	313 795 567		17 790 006	296 005 561	21 516 324	274 489 237

Summary (in USD'000)

		Approved Loans		Movement in Exchange Rate		At 31.12.03		
		At 31.12.02	Loans Cancelled	At 31.12.03	At 31.12.02		Loans Cancelled	SDR/USD
1986	SDR	24 902		24 902	33 855	0	3 160	37 015
1987	SDR	41 292		41 292	56 137	0	5 241	61 378
1988	SDR	34 770		34 770	47 271	0	4 412	51 683
1989	SDR	25 756		25 756	35 016	0	3 269	38 285
1990	SDR	17 370		17 370	23 615	0	2 204	25 819
1991	SDR	18 261	(15)	18 246	24 826	(20)	2 315	27 121
1992	SDR	6 952		6 952	9 451	0	883	10 334
1993	SDR	37 944	(1 317)	36 627	51 586	(1 790)	4 648	54 444
1994	SDR	16 548		16 548	22 497	0	2 101	24 518
1995	SDR	7 498		7 498	10 193	0	952	11 145
Total	SDR	231 293	(1 332)	229 961	314 447	(1 810)	29 185	341 822

**Maturity Structure of Outstanding Loans
As at 31 December 2003**

PERIODS	USD '000
1 January 2004 to 31 December 2004	8 763
1 January 2005 to 31 December 2005	8 630
1 January 2006 to 31 December 2006	8 974
1 January 2007 to 31 December 2007	8 974
1 January 2008 to 31 December 2008	8 974
1 January 2009 to 31 December 2013	44 870
1 January 2014 to 31 December 2018	43 122
1 January 2019 to 31 December 2023	42 857
1 January 2024 to 31 December 2028	41 286
1 January 2029 and thereafter	80 377
Total	296 827

¹ Loans have been denominated in SDR and, for purposes of presentation in the balance sheet, the accumulated amount has been valued at the USD/SDR rate of 1.48644/1 as at 31 December 2003. Since the loans were valued at 31 December 2002, at the then prevailing rate of 1.35952/1, there has been an increase in value in terms of United States dollars of USD 29 185 000, attributable to the movement in exchange rates from 31 December 2002 to 31 December 2003 (from 2001 to 2002 there was an increase in value in terms of United States dollars of USD 23 775 000).

Summary of the Debt Initiative for Heavily Indebted Poor Countries

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

At 31 December 2003, the cumulative position of the debt relief provided and estimated to be provided, under both the original and enhanced Debt Initiative for HIPC's, is as follows:

	Debt Relief Provided to Date		Debt Relief to Be Provided		Total		Total
	Principal	Interest	Principal ¹	Interest	Principal	Interest	
Benin	400	155	4 601	2 140	5 001	2 295	7 296
Bolivia	6 310	1 982	3 056	1 635	9 366	3 617	12 983
Burkina Faso	1 674	985	11 106	2 247	12 780	3 232	16 012
Cameroon			854	410	854	410	1 264
Chad			1 169	599	1 169	599	1 768
Côte d'Ivoire			159	21	159	21	180
D.R. Congo	2 062	336	26 966	38	29 028	374	29 402
Ethiopia			17 368	5 834	17 368	5 834	23 202
Gambia			1 598	890	1 598	890	2 488
Ghana			20 347	7 010	20 347	7 010	27 357
Guinea			5 075	2 600	5 075	2 600	7 675
Guinea-Bissau			2 704	1 189	2 704	1 189	3 893
Guyana	730	185	201	310	931	495	1 426
Honduras			641	598	641	598	1 239
Madagascar			7 551	3 200	7 551	3 200	10 751
Malawi			10 638	4 224	10 638	4 224	14 862
Mali	2 288	1 093	4 567	2 053	6 855	3 146	10 001
Mauritania	927	536	10 848	3 858	11 775	4 394	16 169
Mozambique	3 594	1 591	9 407	3 463	13 001	5 054	18 055
Nicaragua			19 118	3 346	19 118	3 346	22 464
Niger			8 524	3 332	8 524	3 332	11 856
Rwanda			15 878	4 598	15 878	4 598	20 476
Sao Tome and Principe			4 662	1 211	4 662	1 211	5 873
Senegal			2 121	1 035	2 121	1 035	3 156
Sierra Leone			13 494	3 863	13 494	3 863	17 357
Tanzania, United Republic of	1 746	1 059	18 242	5 980	19 988	7 039	27 027
Uganda	6 504	3 098	4 998	9 962	11 502	13 060	24 562
Zambia			30 079	0	30 079	0	30 079
31 December 2003	26 235	11 020	255 972	75 646	282 207	86 666	368 873
			Less future interest on debt relief not accrued				(75 646)
			Total cumulative cost of debt relief as at 31 December 2003				293 227
31 December 2002	16 860	7 145	236 056	66 404	252 915	73 549	326 464
			Less future interest on debt relief not accrued				(66 403)
			Total cumulative cost of debt relief as at 31 December 2002				260 061

¹ See Appendix H, Note 11(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Appendix H

Note 1: Brief Description of the Fund and the Nature of Operations

The International Fund for Agricultural Development (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 and Related Policies

(a) Basis of Accounting

The Consolidated Financial Statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The format of the Consolidated Statement of Revenue and Expenses (formally called the Statement of Activities and Changes in Net Assets) is changed from 2003 onwards in order to present the operations of the Fund more concisely. Similarly, the expenditures incurred by the Fund have been classified on a more consistent basis. Certain data have been aggregated in the balance sheet on the grounds of immateriality. Certain reclassifications of the prior year's information have been made to conform to the current year's presentation.

Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant judgements have been used in the computation of estimated losses for the Debt Initiative for HIPCs and overdue loan repayments.

Financing in the form of supplementary funds and human resources forms an integral part of IFAD's operational activities. As such, from 2003 on 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
- Other supplementary funds, including cofinancing, associate professional officers and programmatic supplementary funds; the Belgian Survival Fund Joint Programme; and the Global Environment Facility
- Debt Initiative for HIPCs Trust Fund
- After-Service Medical Coverage Scheme Trust Fund

These entities have a direct link to IFAD's core activities and are substantially controlled by IFAD. Accordingly, from 2003 on they are consolidated in IFAD's financial statements for reasons of completeness and clarity. Prior to 2003, separate financial statements were drawn up for the BSF.JP and other supplementary funds, which were not included in IFAD's financial statements on the basis of immateriality. Additional financial data for these funds will be drawn up as and when requested to meet donor requirements. All transactions and balances between these entities have been eliminated.

This change to prepare consolidated accounts has been applied retroactively and comparative information has been restated accordingly. Certain information is provided in the accounts for entities separately where this is deemed of interest to the readers of the accounts.

Loans are stated at cost, less an allowance for losses due to impairment (i.e. possible reduction in the value of an asset) to be made in cases where the full amount of the loan is not being repaid in accordance with the original repayment schedule. In addition, in instances where IFAD participates in debt relief under the Debt Initiative for HIPCs framework, an allowance is established for the estimated impairment loss.

The Fund carries its investment securities at market value, with the exception of selected securities that the Fund intends to hold until maturity, which are carried on the basis of cost. 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, which is the date that the Fund commits to purchase or sell the assets. Costs of purchase include transaction costs.

Service charge income and income from other sources is recognized as revenue in the period in which the related expenditures are incurred. In 2002 these revenues were set directly against the related costs in the accounts. From 2003 on, they are shown gross of the related costs for reasons of improved transparency. For 2002, figures have been restated accordingly, as shown in Note 5.

A contribution for IFAD replenishment resources is recorded in full as receivable when the Member deposits its instrument of contribution. Amounts receivable from Member States as contributions, loans and other receivables have been recorded at their full value except for the policy on overdue contributions described in subparagraph (f) below and on overdue loans and the Debt Initiative for HIPCs described three paragraphs above.

Contributions for non-replenishment resources are recorded as revenues in the period in which the related expenditures occur. For cofinancing activities, contributions received are recorded as revenues in the period in which the related grant is approved. Grants approved are therefore included as expenditures in the statement of revenues and expenses. Contributions relating to programmatic grants, associate professional officers (APOs) and other supplementary funds are recorded in the balance sheet as deferred income 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 and interest earned thereon, for which no direct expenditures have yet been incurred, are deferred until future periods to be matched against the related costs.

Grants, with the exception of cofinancing activities mentioned above, are recorded as expenditures on effectiveness of the approved amount and as a liability for undisbursed amounts. Cancellations of grants are recognized as an offset to the expense in the period in which they occur.

The cost of office furniture and equipment is charged directly to expense when purchased. The expenditures involved are not material in the context of the total assets of IFAD's consolidated accounts and therefore its presented financial position. In addition,

the annual expenditures do not have a significant effect on the reported results of operations. Furthermore, most office furniture and some equipment is reimbursed to IFAD and therefore actually owned by the Host Government. IFAD maintains an inventory system and performs controls to monitor the related assets.

Retained earnings represent the excess of revenue over expenses net of the effects of changes in foreign exchange rates. The resulting balance is considered a reserve for accounting purposes only and is in fact currently fully committed for loans and grants. For operational purposes, reference should be made to the Statement of IFAD-Only Resources Available for Commitment (Appendix D).

(b) Area of Consolidation

Financing for IFAD's supplementary funds is given for the following principal purposes: technical assistance grants, cofinancing, associate professional officers and programmatic or thematic funds.

Supplementary funds administered by IFAD also include BSF.JP, whose main activities relate to improvement of household food security and nutritional status in specific developing-country areas, capacity-building and empowerment. The BSF.JP is housed by IFAD, although the programme of work is agreed with the Belgian Government in the context of annual steering committee meetings. Furthermore, in 2002, IFAD became the executing agency for supervision of a global environment facility project in Mali.

IFAD has established two trust funds, whose transactions and balances are included in these Consolidated Financial Statements. Please refer to Notes 7(c) and 11 for further information.

Entities Housed at IFAD

Other entities are housed at IFAD, although they do not form part of the core activities of the Fund and, as such, are not included in IFAD's accounts. These are the International Land Coalition (ILC) (formally called the Popular Coalition to Eradicate Hunger and Poverty) and the Global Mechanism of the United Nations Convention to Combat Desertification (GM). The ILC and GM are separate entities, and further financial data can be found in their respective financial statements.

(c) Translation and Conversion of Currencies

The Fund, as an international organization, conducts its operations in several currencies, and at the present time maintains its accounting records in United States dollars. The financial statements are expressed in United States dollars solely for the purpose of summarizing the financial position.

The Fund has translated all items in its balance sheet, except its Member States' contributions in currencies other than the United States dollar, at market rates of exchange at year-end. Member States' contributions have been translated at market rates of exchange as at date of receipt in respect of cash, including drawdown payments, and at market rates of exchange as at date of disbursement in the case of non-convertible currencies.

From 2003 on management also prepares IFAD's total assets in SDR (Appendix B2), given that a majority of its assets are denominated in SDR and/or SDR currencies. This statement has been included solely for the purpose of providing additional information to readers of the accounts.

Revenue and expense items in currencies other than the United States dollar have been recorded at appropriate rates of exchange during the period.

The exchange adjustments arising from the translation of assets and liabilities in currencies other than the United States dollar are credited or charged to an exchange adjustment account and included in the statement of revenues and expenses.

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

Year	USD
2001	1.25673
2002	1.35952
2003	1.48644

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

	USD '000	
	2003	2002
Opening balance at 1 January	203 032	(170 337)
Exchange movements for the year on:		
Cash and investments	172 699	119 954
Equities	13 601	20 766
Net receivables/payables	(196)	(776)
Loans and grants outstanding	299 100	228 557
Promissory notes and Members' receivables	50 484	56 649
Member States' contributions	(47 775)	(51 241)
Net exchange loss on operations	(1 174)	(540)
Total movements in the year	<u>486 739</u>	<u>373 369</u>
Closing balance at 31 December	<u>689 771</u>	<u>203 032</u>

(d) Valuation of Financial Instruments

(i) Investments: With the exception of selected securities that the Fund intends to hold until maturity, which are carried at cost, all investment securities held by the Fund are held for trading and are reported at estimated fair value, represented by the quoted market value at the balance-sheet date. Both purchases and sales of investment securities are accounted for at trade date.

(ii) Loans: Loans are carried in the financial statements at cost, i.e. at the full-face amount of the borrower's outstanding obligations, less an allowance for impairment losses.

(e) 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 leave 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.

(f) Provisions against Overdue Member States' Contributions

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.

(g) Consolidated Cash-Flow Statement

For the purpose of the cash-flow statement, 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. Equities and net investment payables are excluded from readily convertible investments for cash-flow purposes in accordance with the related accounting standard.

(h) IFAD 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 payments 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) As of 2003 provisions have been established for overdue promissory notes as per section (f) above. In prior years, the related periods for subsections (i) and (ii) above were 18 and 36 months respectively. Alignment of the periods for determining provisions in the balance sheet and statement of resources was done in the interests of consistency.

(iii) 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 has been used since 2001, as regular resources have not been 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. PDFF costs are considered to be committed when the associated milestone for each type of activity has been reached. The Fund's Executive Board reviews a statement of resources available for commitment at every Executive Board meeting to ensure that resources are available to meet loans and grants presented for approval.

(i) Accounting Changes

As of 2003 the Fund has:

- drawn up consolidated accounts, as indicated in Note 2 (a). Comparative figures have been adjusted to conform to the presentation in the current year;
- changed its accounting policy on contributions received from donors to finance specific activities, i.e. BSF.JP and HPCs. Prior to 2003, these contributions were included as complementary contributions together with regular contributions in the balance sheet. From 2003 on these contributions are recognized as income within the statement of revenues and expenses and matched against the related expenditures, in order to align with the accounting principle adopted for supplementary funds and present more clearly the underlying nature of these balances. A summary of the new accounting principle can be found in Note 6;
- changed the presentation of service-charge income received from supplementary funds and entities housed at IFAD. Prior to 2003, this income was set directly against the related (staff) costs. From 2003 on the income and expenditures are grossed up for reasons of transparency. The comparative figures have been restated accordingly. A summary of the impact of this change is included in Note 5;

- aligned the time period used for determining exclusion states for Members that have overdue contributions as described in section (h) above. The effect of this change is described in Note 14 (c).

Note 3: Loans

(a) 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 IFAD has received a satisfactory legal opinion from the borrower and any other conditions precedent to effectiveness have been fulfilled. Upon effectiveness, disbursement may commence.

Loan repayments and related interest payments for loans approved during 1978 are required to be made in the currency in which the respective portion of the loan was advanced or as specified in the loan agreement. In respect of all Fund loans approved after 1 January 1979, 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 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%) 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%) 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.”

Loans are stated at cost, minus an allowance for impairment losses. IFAD reviews its loan portfolio regularly for impairment. It makes an allowance in the event of any uncertainty about the receipt of the full amount in accordance with the original repayment schedule. The resulting write-down does not extinguish the liability of any Member State to discharge its obligations. If the write-down is no longer required, it is reversed. The net movement in the allowance for impairment loss is included as a separate line in the statement of revenues and expenses and also separately on the face of the balance sheet.

(b) Accumulated Allowance for Impairment Losses

The allowance is based on the difference between expected cash flows derived from those calculated on the estimated or renegotiated repayment schedule and the nominal value. The entire loan, and not just the overdue instalment, is subject to impairment. 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.

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

	USD '000	
	2003	2002
Balance at beginning of year	78 071	72 237
Net (reduction)/ increase in allowance	<u>(17 546)</u>	<u>5 834</u>
Balance at end of year	<u>60 525</u>	<u>78 071</u>

(c) Non-Accrual Status

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.

Had these amounts been recognized as income, income from loans as reported in the statement of revenues and expenses for the year 2003 would have been greater by USD 3 466 000 (2002 – USD 2 844 000). The corresponding figures relating to SPA were USD 50 000 (2002 – USD 47 000). The Member States concerned are shown below:

(i) Borrowers in Non-Accrual Status – IFAD

	USD '000		31 December 2003	
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2003	In Arrears Since
Central African Republic	25 242	2 233	295	May 2001
Cuba	9 857	12 721	468	Sept. 1989
D.R. Congo	20 297	5 010	247	Feb. 1993
Guinea-Bissau	5 203	931	63	Nov. 1995
Haiti	9 659	223	118	Oct 2002
Liberia	12 078	10 269	417	Nov. 1995
Paraguay	6 990	1 438	552	Oct 2002
Seychelles	418	145	37	Jan. 2002
Sierra Leone	19 534	1 367	243	Mar. 1998
Solomon Islands	2 632	254	31	April 2001
Somalia	20 524	9 255	244	Jan. 1991
Togo	18 720	2 276	212	Sept. 2000
Zimbabwe	<u>19 924</u>	<u>4 252</u>	<u>539</u>	Oct. 2001
Total	<u>171 078</u>	<u>50 374</u>	<u>3 466</u>	

(ii) Borrowers in Non-Accrual Status – SPA

	USD '000		31 December 2003	
	Principal Outstanding	Principal Overdue	Income Not Accrued In 2003	In Arrears Since
Guinea-Bissau	2 428	391	29	Dec. 1995
Sierra Leone	<u>1 763</u>	<u>0</u>	<u>21</u>	Mar. 1998
Total	<u>4 191</u>	<u>391</u>	<u>50</u>	

The income from loans reported in the statement of revenues and expenses for 2003 includes USD 2 162 000 (2002 – USD 275 000) in respect of income received relating to prior years.

Details of loans approved and disbursed and of loan repayments appear in Appendix F.

(d) Further Analysis of Loan Balances

USD '000
2003 2002

IFAD approved loans less cancellations and adjustment for movement in value of total SDR loans (Appendix F)		
USD '000		
2003 – USD 7 196 707		
2002 – USD 6 462 277		
Effective loans	6 534 723	5 820 108
Undisbursed balance of effective loans	(1 995 476)	(1 707 713)
Repayments	(1 009 979)	(1 027 183)
Interest Receivable	<u>18 608</u>	<u>16 197</u>
Loans outstanding	<u>3 547 876</u>	<u>3 101 409</u>

SPA approved loans and adjustment for movements in value of total SDR loans (Appendix F)

USD '000		
2003 – USD 338 669		
2002 – USD 313 796		
Effective loans	338 669	313 796
Undisbursed balance of effective loans	(14 302)	(17 790)
Repayments	<u>(27 541)</u>	<u>(21 516)</u>
Loans outstanding	<u>296 826</u>	<u>274 490</u>

Total approved loans less cancellations and adjustment for movements in value of SDR loans in terms of USD

USD '000		
2003 – USD 7 535 376		
2002 – USD 6 776 073		
Effective loans	6 873 392	6 133 904
Undisbursed balance of effective loans	(2 009 778)	(1 725 503)
Repayments	(1 037 520)	(1 048 699)
Interest Receivable	<u>18 608</u>	<u>16 197</u>
Loans outstanding	<u>3 844 702</u>	<u>3 375 899</u>

(e) Loans to Non-Member States

Fund for Gaza and the West Bank (FGWB)

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 the Gaza Strip and the West Bank. 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.

Note 4: Income from Cash and Investments

(a) Basic Principles

The President may place or invest cash funds not needed immediately for the Fund's operations or administrative expenditures.

In investing the resources of the Fund, the President shall be guided by the paramount consideration of security and liquidity. Within these constraints, the President shall seek the highest possible return in a non-speculative manner.

Income earned from investments may, inter alia, be used by the Fund to meet its administrative and other expenditures in accordance with the approved budget.

(b) Investment Management

IFAD's current investment policy was adopted in December 2001. The investment policy allocates 5% in cash, 44% in government bonds, 23% in diversified fixed-interest instruments, 18% in inflation-indexed bonds and 10% in equities (previous investment policy – 5% in cash, 40% in government bonds, 10% in diversified fixed-interest instruments and 45% in equities) and has a credit floor of AA- for fixed-interest investments. The current investment policy was fully implemented in 2002 with

the exception of the asset class for inflation-indexed bonds. A portion of the inflation-indexed bonds asset class remained unfunded as at 31 December 2003, with the unfunded amount being held in time deposits and government bonds.

Since 1994, management of the major part of IFAD's investment portfolio has been entrusted to external investment managers under investment guidelines provided by the Fund. At 31 December 2003, funds under external management amounted to USD 2 142.6 million (2002 – USD 1 710.2 million), representing some 85.8% (2002 – 77.7%) of total cash and investments.

(c) Risk Management

The Fund has addressed investment risks through the provision of the investment guidelines and custodial arrangements:

(i) Credit Risk: The investment guidelines permit investments in time deposits with selected commercial banks, government and government-guaranteed bonds, corporate bonds, bonds issued by multilateral development banks and exchange-traded derivatives of such securities. The eligibility of banks and bond issues is determined on the basis of ratings made by major credit-rating agencies.

(ii) Market Risk: Exposure to market risk is adjusted by modifying the duration of the portfolio, depending on the outlook for securities 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 asset classes. Options and futures are held for managing market risk rather than for trading purposes.

(iii) Currency Risk: The majority of the Fund's commitments are expressed in SDR. Consequently the overall assets of the Fund, including the investment portfolio and promissory notes, are maintained in such way as to ensure that, to the extent possible, commitments for undisbursed loans and grants denominated in SDR are matched by assets denominated in the currencies and in the 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 USD.

To increase 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 SDR and United States dollars.

(iv) Custodial Risk: IFAD has entrusted the safekeeping of its investment assets to a major custodian bank. The custodian safeguards the funds, maintains separate accounts for each externally managed investment subportfolio, and settles the investment transactions initiated by external investment managers. Following a tender process, the Fund changed its custodian bank with effect from 1 April 2003.

(d) Derivative Instruments

The Fund's investment guidelines authorize the use of the following types of derivative instruments:

(i) Futures: Futures contracts open at year-end were as follows:

	31 December	
	2003	2002
Number of contracts open:		
Buy	1 362	1 042
Sell	713	495
Net unrealized gains of open contracts (USD '000)	881	951
Maturity range of open contracts	67 to 354 days	59 to 349 days

(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	
	2003	2002
Number of contracts open:		
Buy	0	193
Sell	683	166
Market value of open contracts gain/(loss) (USD '000)	(350)	(226)
Net unrealized gains/(losses) of open contracts (USD '000)	157	(18)
Maturity range of open options	51 to 348 days	52 to 349 days

(iii) Covered Forwards: The unrealized market-value gain on forward contracts at 31 December 2003 amounted to USD 191 000 (2002 – loss of USD 77 000). The maturity of forward contracts at 31 December 2003 ranged from 16 to 76 days (31 December 2002 – 16 to 51 days).

(e) Valuation

The Fund records its investment portfolio at market value, with the exception of selected securities that the Fund intends to hold until maturity, and which are therefore carried at cost. Both realized and unrealized gains and losses are recognized in the period to which they relate and are included in income from cash and investments.

(f) Income from Cash and Investments

The gross income from cash and investments for the year ended 31 December 2003 amounted to USD 114 500 000 (2002 – gross income of USD 34 620 000). This figure is gross of direct charges against investment income of USD 5 590 000 (2002 – USD 7 995 000), which from 2003 on are included in expenses. The 2002 figures have been restated accordingly (see Note 8).

	USD '000	
	2003	2002
Interest from fixed-income investments	67 515	59 154
Dividend income from equities	4 709	7 652
Net income from futures and options	2 166	1 652
Realized capital income from fixed-income securities	41 532	11 671
Realized capital loss from equities	(1 631)	(101 259)
Unrealized (loss)/gain from fixed-income securities	(48 374)	41 852
Unrealized gain from equities	44 507	10 505
Income from securities lending and commission recapture	430	436
Interest income from banks and non-convertible currencies	<u>3 646</u>	<u>2 957</u>
Total	<u>114 500</u>	<u>34 620</u>

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

	USD '000	
	2003	2002
IFAD	113 477	34 050
ASMCS Trust Fund	256	269
Debt Initiative for HIPC's Trust Fund	320	301
BSF	297	420
Other supplementary funds	447	635
Less: income deferred/retained	(297)	(995)
Less: interfund interest	_____	(60)
Total	<u>114 500</u>	<u>34 620</u>

The average rate of return on consolidated cash and investments in 2003 was positive 4.9% gross of expenses and positive 4.7% net of expenses (2002 – positive 1.6% gross of expenses, positive 1.2% net of expenses).

The average rate of return on IFAD cash and investments in 2003 was 5.1% positive gross of expenses and 4.9% positive net of expenses (2002 –1.6% positive gross of expenses, 1.3% positive net of expenses).

Note 5: Income from Other Sources

This income relates principally to reimbursement from the Host Government for specific operating expenditures. It also includes service charges received from entities housed at IFAD as compensation for providing administrative services. The analysis is as follows:

	USD '000	
	2003	2002
Service charges	111	99
Host Government income	5 357	6 147
Income from other sources	<u>144</u>	<u>-</u>
Total	<u>5 612</u>	<u>6 246</u>

In 2002, these revenues were set directly against the related cost in the accounts and the net effect was zero; from 2003 on these revenues are shown gross of the related costs for reasons of improved transparency. The 2002 figures (revenues and related staff costs) have been restated accordingly by the amounts shown above.

Note 6: Contributions Income

Contributions received for non-replenishment resources to finance specific activities are included in the statement of revenues and expenses in the year in which the related expenditure is incurred. For cofinancing activities, contributions received are recorded as revenues in the period in which the related grant is approved. Contributions relating to programmatic grants, associate professional officers and other supplementary funds are recorded in the balance sheet as deferred income and reduced by the amount of project-related expenses in the statement of revenues and expenses.

Prior to 2003, contributions received for the Debt Initiative for HIPC's Trust Fund and BSF.JP were included as complementary contributions together with regular contributions in the balance sheet. From 2003 on these contributions are recognized as income within the statement of revenues and expenses and matched against related expenditures, in order to align with the accounting principle adopted by IFAD's combined supplementary funds and to present the underlying nature of these balances more clearly. Disclosure of these contributions can be found in Appendix E1.

A summary of the net effect of these changes is shown below. The 2003 figures have not been presented, as it is impracticable to do so:

	USD '000		
	Prior to Change	Impact of New Policy	Restated Balance
2002			
<i>In balance sheet:</i>			
Complementary contributions	35 567	(35 567)	-
<i>In statement of revenues and expenditures:</i>			
Contributions revenue	-	<u>26 170</u>	<u>26 170</u>

Individual donors provided human resources (APOs) to assist in IFAD's activities. From 2002, the benefits received from donors have been recorded as revenues and the costs included in staff costs.

Note 7: Staff Numbers and Retirement and Medical Benefits

(a) Staff Numbers

Employees that are on IFAD's payroll are part of the benefits system offered by IFAD. These benefits include participation in the United Nations Joint Staff Pension Fund and in the After-Service Medical Coverage Scheme administered by FAO.

The number of approved posts of the Fund, including the President and Vice President, at 31 December was as follows:

IFAD Posts	2003 and 2002
Professional	134.0
General Service	<u>181.5</u>
Total	315.5

The number of staff on the payroll of the Fund and other consolidated entities by principal budget source as at 31 December 2003 was as follows:

	Professional	General Service	Total
	IFAD admin. budget	147	244
IFAD PDFF	9	12	21
IFAD other sources	4	10	14
BSF.JP	2	3	5
APO	20	0	20
Programmatic funds	10	3	13
Total	<u>192</u>	<u>272</u>	<u>464</u>

The difference between approved posts and number of staff engaged on the payroll consists in staff engaged on temporary contracts.

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

(b) Retirement Plan

IFAD is a member organization participating 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 is the Open Group Aggregate method. The cost of providing pensions is charged to the income statement 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 latest actuarial valuation was prepared as of 31 December 2001. This valuation revealed a third consecutive actuarial surplus, amounting to 2.92% of pensionable remuneration. IFAD makes contributions on behalf of its staff (currently payable by the participant and IFAD at 7.9% and 15.8%, respectively, of the staff member's pensionable remuneration) and would be liable for its share of the unfunded liability, if any. Total retirement plan contributions made for staff in 2003 amounted to USD 5 460 000 (2002 – USD 4 510 000). "The plan exposes participating enterprises to actuarial risks associated with the current and former employees of other enterprises, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual enterprises participating in the plan." (International Accounting Standards Board, *International Accounting Standards 2002*, IAS 19, p.4 (London, 2002).) IFAD is not able 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.

(c) After-Service Medical Coverage Scheme

IFAD participates in a multi-employer After-Service Medical Coverage Scheme administered by 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 1995, FAO has engaged an actuary to determine the unfunded accrued liability pertaining to the scheme, of which IFAD is allocated its share, currently based on pensionable remuneration. IAS No. 19 requires that this liability be fully provided in the accounts of an organization immediately.

The latest actuarial valuation was carried out as at 31 December 2001. The methodology used was the projected unit-credit-cost method with service prorate. The principal actuarial assumptions used were as follows: discount rate, 6.0%; expected salary increases, 3.0%; medical cost increases, 4.5%; and inflation, 2.5%. The results determined IFAD's share of the unfunded liability as at 31 December 2001 to be some USD 23.3 million. The 2003 and 2002 financial statements include a provision and related assets constituted as follows as at 31 December:

	USD million	
	2003	2002
Past service costs		
Total provision brought forward	<u>19.1</u>	<u>11.2</u>
One fifth of estimated initial deficit of USD 12.9 million	2.6	2.6
One fourth of integration to original deficit of USD 6.8 million	1.6	1.7
Cost charged in year	-	<u>3.6</u>
Total charge for unfunded deficit	<u>4.2</u>	<u>7.9</u>
Provision carried forward	<u>23.3</u>	<u>19.1</u>
Current service costs		
Provision brought forward	3.3	2.6
Charge in year	<u>0.7</u>	<u>0.7</u>
Cumulative provision	<u>4.0</u>	<u>3.3</u>
Total costs charged in year	<u>4.9</u>	<u>8.6</u>
Interest earned		
Interest earned on balances	<u>0.3</u>	<u>0.2</u>
Cumulative interest earned	<u>0.5</u>	<u>0.2</u>
Total provision at 31 December	<u>27.8</u>	<u>22.6</u>

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2003, such costs included within staff salaries and benefits in the financial statements amounted to USD 721 000 (2002 – USD 721 000). In 2002 this liability was included as restricted cash in the balance sheet, but in 2003 the balances have been included in the consolidated accounts as non-restricted balances. The comparative figures have been restated accordingly.

It is intended that actuarial valuations will continue to be carried out at least every two years. A new valuation is currently in progress to determine IFAD's deemed liability as at 31 December 2003, the results of which are expected to be included in IFAD's 2004 accounts, since they are not available at the time of preparation of the current year accounts.

In accordance with the relevant accounting standard, IFAD has set up a trust fund into which it transfers the accrued assets. This is necessary in order for these assets to qualify as ASMCS assets and as such to be used to offset IFAD's deemed liability for its former staff under this scheme.

Note 8: Direct Bank and Investment Costs

	USD '000	
	2003	2002
Investment management fees	(5 087)	(7 248)
Net other charges	<u>(190)</u>	<u>(271)</u>
Total	<u>(5 277)</u>	<u>(7 519)</u>

From 2003 on these costs are included as a separate line item within expenses for reasons of improved clarity and transparency. In prior years, they were set against investment income. The comparative figures have been restated accordingly in order to conform to the 2003 presentation.

Note 9: Operating Expenses

An analysis of IFAD operating expenses by principal funding source is shown in Appendix A2.

The Programme Development Financing Facility finances the multi-year expenditures required for the design, implementation and supervision of projects and programmes financed by loans and grants from IFAD. During 2002 the Fund changed its accounting policy related to costs of the PDFF. The catalyst for this change was the establishment of the PDFF by the Governing Council in February 2001, as a cost category separate from IFAD's programme of work and budget. From 2002 on, when an obligation is incurred for PDFF costs, the related costs are recorded as a separate line item within expenditures 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.

From 2003 on the costs incurred relating to PDFF, and SCP as well, are classified in the accounts in accordance with the underlying nature of the expense. This change in presentation has been made to ensure more consistency in the reporting of expenditures by cost type. Previously, the costs were included as separate line items in operating expenses, which for 2002 have also been restated to include the effect of expenditures incurred for service charges and other income (see Note 5). The prior year information has been restated accordingly to conform to the current presentation.

As part of the SCP, during 2003 the Fund has implemented new financial systems for the general ledger, contributions and certain expenditures. Financial data has been migrated from the Legacy system of the general ledger as at 1 April 2003. The migration of financial data involved retrieval, conversion and transformation, and required adding new data fields and restructured values to take into account the new activity-based budget structure. During the migration period, business was conducted continuously while waiting for the closure of accounts at 31 March 2003, the data clean-up initiated prior to migration, and the accounting entries required to reflect the changes in accounting principles described in Note 2(i).

Note 10: 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 at effectiveness as a separate line item of expenditures in the statement of revenues and expenses and as a liability in the balance sheet for undisbursed amounts. Cancellations of undisbursed balances shall be recognized as an offset to the expense in the period in which they occur. These grants are deducted from resources available on approval by the appropriate authority, consistent with prior years.

Grants include annual funding for entities housed at IFAD, i.e. the International Land Coalition and Global Mechanism:

	USD '000	
	2003	2002
ILC	500	600
GM	-	1 250
Total	<u>500</u>	<u>1 850</u>

Note 11: Debt Initiative for Heavily Indebted Poor Countries

(a) Background to the Debt Initiative for HIPC

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 have arrears with IFAD, or that face the risk of having arrears 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 within IFAD (when approved by the Executive Board) and from other sources, specifically dedicated as compensation to the loan-fund account(s) for agreed reductions in loan repayments under the Initiative. (Refer to Appendix G for details). Amounts of debt service forgiven are expected to be reimbursed by the trust fund on a pay-as-you-go basis to the extent that resources are available in the fund.

IFAD has funded the Debt Initiative in the amount of USD 59.7 million during the period 1998-2003. Details of funding from external donors on a cumulative basis are found in Appendix E1.

(b) Impact of the Debt Initiative for HIPC

Upon approval of individual debt relief by the Executive Board, the nominal value of the principal component of estimated debt relief costs is recorded as a reduction of disbursed and outstanding loans under accumulated allowance for the Debt Initiative for HIPC, and as a charge to income. This estimate is subject to periodic revision. Significant judgements have been used in the computation of the estimated nominal value of allowances for the Debt Initiative.

The accumulated allowance for the Debt Initiative is reduced when debt relief is provided by the trust fund (see subparagraph (c) below).

For a summary of debt relief reimbursed since the start of the Debt Initiative and of that expected in the future, please refer to Appendix G. Debt relief approved by the Executive Board to date excludes all amounts relating to the enhanced Debt Initiative for Burundi, the Central African Republic, The Comoros, The Congo, Côte d'Ivoire, Laos, Liberia, Somalia, The Sudan and Togo. Debt relief for these countries at the end of 2002 was announced by the World Bank/International Monetary Fund. Authorization for IFAD's share of this debt relief is expected to be given by the Executive Board in 2004. At the time of preparation of the 2003 financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was USD 140 660 000.

Gross investment income amounted to USD 320 000 (2002 – USD 301 000) from Debt Initiative trust fund balances. In 2002 this income was included in the net charge for Debt Initiative commitments in the statement of revenues and expenses, but from 2003 on it is included in consolidated income from cash and investments.

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

	USD '000		2002
	2003	Movement	
IFAD contributions 1998-2003	59 670	27 000	32 670
Shortfall between debt relief approved and funds available (Appendix A)	209 104	<u>14 010</u>	195 095
Subtotal (Appendix A1)		41 010	
Cumulative net exchange-rate movements	30 703	21 547	9 155
Change in accounting principle for contributions	(36 900)	(36 900)	-
Total IFAD cumulative cost	<u>262 577</u>	<u>25 657</u>	<u>236 921</u>
Contributions from external sources:			
The Netherlands	12 487	508	11 978
Germany	6 989		6 989
Belgium	2 713		2 713
Norway	5 912	5 912	
Luxembourg	778	778	
Cumulative net investment income	1 771	311	1 460
Total (Appendix G)	<u>293 227</u>	<u>33 166</u>	<u>260 061</u>

(c) Accumulated Allowance for the Debt Initiative for HIPC

On approval of the Executive Board, the estimated nominal value of the principal component of the debt relief to be provided under the Debt Initiative for HIPC framework is included as a cost to the accumulated allowance for the Debt Initiative. This cost is offset by income receivable from the Debt Initiative trust fund to the extent that resources are available. These amounts are net of any debt relief delivered to date. The balances for the years ended 31 December are summarized below:

	USD '000	
	2003	2002
Balance at beginning of year	236 056	189 442
Repayments of principal	(9 375)	(5 969)
New approvals	10 135	36 631
Less exchange-rate movements	<u>19 156</u>	<u>15 952</u>
Balance at end of year	<u>255 972</u>	<u>236 056</u>

Note 12: Cash and Investment Balances

(a) Analysis of Balances

	USD '000	
	2003	2002 (Restated) ¹
Unrestricted cash	269 965	361 270
Cash subject to restriction (Note 12(c))	<u>394</u>	<u>355</u>
Total	<u>270 359</u>	<u>361 625</u>
Unrestricted investments	2 424 410	2 078 326
Investments subject to restriction (Note 12(c))	<u>400</u>	<u>397</u>
Total	<u>2 424 810</u>	<u>2 078 723</u>

¹ See Note 12(b) below.

(b) Classification of Cash and Investment Balances

In 2002, certain balances relating principally to the IFAD Credit Union and supplementary funds/trust fund balances were classified as restricted cash and investments. In the 2003 accounts, these balances have been reclassified as accounts owing to third parties and unrestricted (consolidated) cash and investments respectively.

	USD '000	
	2003	2002
Due in one year or less	529 910	608 660
Due after one year through five years	1 040 526	457 341
Due from five to ten years	268 688	373 420
Due after ten years	403 840	566 313
No fixed maturity (equities)	<u>252 999</u>	<u>195 183</u>
Total	<u>2 495 963</u>	<u>2 200 917</u>

(c) Cash and Investments Subject to Restriction

(i) Currencies Not Freely Convertible: Cash and investments held by the Fund at 31 December 2003 in currencies that are not freely convertible amounted to USD 394 000 (2002 - USD 355 000) and USD 400 000 (2002 - USD 397 000) respectively.

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2003 was 90 months (2002 - 124 months).

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.

Note 13: Contributors' Promissory Notes and Receivables

(ii) Advance Contributions to the Sixth Replenishment: In 2002, amounts received in cash as advance payments for Sixth Replenishment contributions totalled USD 173 000. These amounts were excluded from resources available for commitment as the Sixth Replenishment was not yet effective. In 2003, the advance payments made for the Sixth Replenishment were reclassified as part of regular resources on the effectiveness of the Sixth Replenishment. The prior year figures have been reclassified for the sake of consistency.

	USD '000	
	2003	2002
Promissory notes to be encashed		
Replenishment contributions	272 461	292 574
Supplementary contributions	<u>29 252</u>	<u>35 567</u>
Total	<u>301 713</u>	<u>328 141</u>
Contributions receivable		
Replenishment contributions	371 260	192 399
Complementary contributions	1 502	4 657
Supplementary contributions	<u>19 775</u>	<u>17 071</u>
Total	<u>392 536</u>	<u>214 127</u>

(d) Composition of the Investment Portfolio by Instrument

At 31 December 2003, cash and investments at market value amounted to USD 2 495 963 000, excluding restricted and non-convertible currencies (2002 - USD 2 200 917 000 restated), and comprised the following instruments:

	USD '000	
	2003	2002
Cash	269 965	361 270
Fixed-income instruments	1 839 854	1 450 360
Unrealized market-value gain/(loss) on forward contracts	191	(77)
Time deposits and other obligations of banks	327 473	430 973
Equities	253 306	195 378
Futures	3 936	1 918
Options	<u>(350)</u>	<u>(226)</u>
Total cash and investments	2 694 375	2 439 596
Receivables for investments sold	31 433	78 047
Payables for investments purchased	<u>(229 845)</u>	<u>(316 726)</u>
Total	<u>2 495 963</u>	<u>2 200 917</u>

(e) Composition of the Investment Portfolio by Currency

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

	USD '000	
	2003	2002
Euro	694 914	573 994
Japanese yen	360 775	276 608
Pound sterling	279 472	218 047
United States dollar	1 061 351	1 040 813
Others	<u>99 451</u>	<u>91 455</u>
Total	<u>2 495 963</u>	<u>2 200 917</u>

(f) Composition of the Investment Portfolio by Maturity

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

(a) Initial, First, Second, Third and Fourth Replenishment Contributions

These contributions have been fully paid except as detailed in Note 14 and in the matrix below, the latter representing cases in which Members and IFAD have agreed to special encashment schedules.

Contributions Not Paid at 31 December 2003

Donor	Replenishment	USD '000 Amount
Australia ¹	Fourth	1 398
France ¹	Fourth	4 346
Germany ¹	Fourth	5 404
India ¹	Fourth	90
Jordan ¹	Fourth	167
Maldives ¹	Fourth	10
Morocco ¹	Fourth	1 300
Nigeria ¹	Fourth	1 275
Switzerland ¹	Fourth	484
United Kingdom ¹	Fourth	11 811
United States ²	Fourth	11

¹ Subject to special arrangement.

² Qualified contribution.

(b) Fifth Replenishment

Details of Fifth Replenishment contributions are shown in Appendix E.

The Fund's Fifth Replenishment came into effect on 7 September 2001, when instruments of contribution were deposited amounting in aggregate to 50% of the respective contributions from Members as set forth in Resolution 119/XXIV, adopted by the Twenty-Fourth Session of the Governing Council, as amended.

(c) Sixth Replenishment

Details of payments made for the Sixth Replenishment are shown in Appendix E. At 31 December 2002, requirements for the effectiveness of the Sixth Replenishment had not yet been met, hence any contributions received at that date were excluded from the resources of the Fund. The Sixth Replenishment became

effective on 17 December 2003 and hence any such contributions have been classified as regular resources in 2003.

(d) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First Phase and Second Phase are shown in Appendix E.

Note 14: Provisions

In accordance with the policy referred to in Note 2(f) and (h), the Fund has established provisions as follows:

	USD '000	
	2003	2002
Balance at beginning of the year	186 755	195 655
Total movements	<u>(6 084)</u>	<u>(8 910)</u>
Balance at end of year	<u>180 671</u>	<u>186 755</u>
Analysed as:		
Promissory notes of contributors (a)	88 176	94 685
Amounts receivable from contributors (b)	<u>92 495</u>	<u>92 070</u>
Total	<u>180 671</u>	<u>186 755</u>

(a) Provisions against Promissory Notes

As at 31 December 2003, all IFAD replenishment contributions up to and including the Fifth Replenishment, deposited in the form of promissory notes, have been drawn down to the extent of 100% (31 December 2002 – 100% up to the Fourth Replenishment and 61.0% for the Fifth Replenishment).

As at 31 December 2003 and 2002, all First and Second Phase SPA contributions have been fully drawn down.

In accordance with the policy referred to in Note 2 (f) and (h), the Fund has established provisions against promissory notes as indicated hereunder.

	USD '000	
IFAD	2003	2002
(i) Initial Contributions		
Iran	29 358	29 358
Iraq	<u>13 717</u>	<u>13 717</u>
	43 075	43 075
(ii) First Replenishment		
Iraq	31 099	31 099
Qatar	508	7 017
	31 607	38 116
(iii) Second Replenishment		
Mauritania	2	2
Qatar	<u>5 000</u>	<u>5 000</u>
	5 002	5 002
(iv) Third Replenishment		
D.P.R. Korea	600	600
Libyan Arab Jamahiriya	7 857	7 857
Mauritania	<u>25</u>	<u>25</u>
	<u>8 482</u>	<u>8 482</u>
Total IFAD	<u>88 166</u>	<u>94 675</u>
SPA		
First Phase		
Mauritania	<u>10</u>	<u>10</u>
Total SPA	<u>10</u>	<u>10</u>
GRAND TOTAL	<u>88 176</u>	<u>94 685</u>

(b) Provisions against Amounts Receivable from Contributors

In accordance with the policy referred to in Note 2 (f), the Fund has established provisions against certain of these amounts as indicated hereunder.

	USD '000	
	2003	2002
(i) Initial Contributions		
Comoros	9	8
Iran	<u>83 167</u>	<u>83 167</u>
	83 176	83 175
(ii) Second Replenishment		
Gabon	371	371
Iraq	<u>2 000</u>	<u>2 000</u>
	2 371	2 371
(iii) Third Replenishment		
Iran	2 400	2 400
Qatar	1 000	1 000
Sao Tome and Principe	<u>10</u>	<u>10</u>
	3 410	3 410
(iv) Fourth Replenishment		
Chile	400	420
Kenya	877	927
Nicaragua	-	17
Nigeria	-	<u>1 750</u>
	<u>1 277</u>	<u>3 114</u>
(v) Fifth Replenishment		
Turkey	<u>2 261</u>	-
Total	<u>92 495</u>	<u>92 070</u>

Subsequent to 31 December 2003, an amount of USD 1.8 million was received from the Libyan Arab Jamahiriya in payment of Third Replenishment contributions. Had this amount been received prior to 31 December 2002, the total provisions on promissory notes would have been reduced to USD 86 406 000.

(c) Effect of Alignment in Time Period for Provisions

As described in Note 2(i), the time period for determining provisions on promissory notes has been aligned in the balance sheet and resources statement, with effect from 2003. There was no impact deriving from this change on promissory notes excluded from the statement of resources as at 31 December 2003. The prior year figures for resources have not been restated, given that this statement is a managerial rather than a financial report and is used for operational purposes.

This change has no impact on the statement of revenues and expenses or on the balance sheet.

Note 15: Other Receivables

	USD'000	
	2003	2002
Receivables for investments sold	31 433	78 047
Miscellaneous	<u>18 773</u>	<u>8 577</u>
Total	<u>50 206</u>	<u>86 624</u>

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

Note 16: Payables and Liabilities

	USD'000	
	2003	2002
Payables for investments purchased	(229 845)	(316 726)
ASMCS liability	(27 373)	(22 378)
Other payables and accrued liabilities	<u>(43 138)</u>	<u>(41 735)</u>
Total	<u>(300 356)</u>	<u>(380 839)</u>

Of the total above, some USD 56.8 million (2002 – USD 48.2 million) is estimated to be payable in more than one year from the balance-sheet date.

Note 17: Deferred Revenues

	USD '000	
	2003	2002
Deferred contributions	(50 107)	(42 043)
Deferred income	<u>(4 483)</u>	<u>(3 858)</u>
Total	<u>(54 590)</u>	<u>(45 901)</u>

Deferred contributions balances represent contributions received for which the revenue recognition has been deferred to future periods to match the related costs in accordance with the accounting policy stated in Note 2(a).

Deferred income includes amounts relating to service charges received for which the related costs have not yet been incurred.

Note 18: Contributions

The contributions to the Fund by each Member when due are payable in freely convertible currencies, except that Category III Members up to the end of the Third Replenishment period could 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. The Fund, on the recommendation of its External Auditor, has considered it prudent to establish provisions against unpaid contributions (see Notes 2(f), and 14).

Note 19: General Reserve

The General Reserve 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.

Note 20: 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 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.

Note 21: Contingencies

(a) Contingent Liabilities

IFAD has contingent liabilities in respect of debt relief announced by the World Bank/International Monetary Fund for eleven countries. See Note 11(b) 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 G.

(b) Contingent Assets

The organization expects to receive some EUR 974 000 (currently USD 1 229 000) in reimbursement of taxation deducted on investment income in prior years. These costs were fully provided for in the accounts of previous years as the exact amount and year in which the reimbursement will be made was not certain. IFAD has submitted a formal request to the Italian Government to reclaim these taxes.

Note 22: Date of Authorization for Issue of Financial Statements

The financial statements are authorized for issue following the recommendation of the Audit Committee in March 2004 and endorsement by the Executive Board in April 2004. The 2003 financial statements will be submitted to the Governing Council for formal approval at its next session in February 2005. The 2002 financial statements were approved by the Governing Council at its Twenty-Seventh Session in February 2004.

The International Fund for Agricultural Development
Rome

We have audited the accompanying consolidated Financial Statements (Appendices A through H) of the International Fund for Agricultural Development (the Fund) as at and for the years ended 31 December 2003 and 2002. 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 at 31 December 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Rome, 26 March 2004

PricewaterhouseCoopers SpA



Oliver Galea
(Partner)