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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty-ninth Session
Rome, 15-16 February 2006

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. The following tables highlight a number of key financial figures for IFAD. The figures have been extracted from the draft 2005 consolidated financial statements of IFAD, which are subject to audit by PricewaterhouseCoopers (external auditors). The draft financial statements will be reviewed by the Audit Committee in April 2006 and presented for consideration by the Eighty-seventh Session of the Executive Board in April 2006.
2. A revision to one of the accounting standards of reference requires IFAD to restate its loans and certain receivables and liabilities at fair value in its 2005 financial statements. This change will result in a significant reduction in the balance sheet total asset values and a reduction in total revenues over total expenses. Although fair value accounting is required in order for IFAD to comply with international financial reporting standards, these standards are not designed to apply to not-for-profit activities such as those undertaken by IFAD. Management believes that there is no comparable secondary market for its development loans and has no intention to sell its loans. Consequently it believes that the presentation of financial data based on nominal values rather than fair values provides data that are more reliable, relevant and understandable. It also meets many common information needs of the users of its accounts, forms the basis for operational decisions and serves planning purposes. Hence data will be presented on both a fair value and nominal value basis in IFAD's consolidated financial statements where deemed useful to the users of our accounts.
3. The following figures pertain to IFAD only and are all stated at nominal value.

I. INCOME AND ADMINISTRATIVE EXPENDITURES

4. The following table provides information on selected revenue and expenditure categories, which are compared with the previous year.

	2005 Actual (USD '000)	2004 Actual (USD '000)	2005 Change (USD '000)	2005 Change as a Percentage of Previous Year
Income from loan interest and service charges	45 321	48 027	(2 706)	(5.6%)
Income from cash and investments ^a	71 693	115 239	(43 546)	(37.7%)
Revenues from the above items	117 014	163 266	(46 252)	(28.3%)
Staff salaries and benefits ^b	(44 722)	(41 551)	(3 171)	(7.6%)
Office and general expenses	(9 889)	(9 254)	(635)	(6.9%)
Consultants and other non-staff costs	(7 095)	(6 197)	(898)	(14.5%)
Administrative budgets^c	(61 706)	(57 002)	(4 704)	(8.3%)
Direct bank and investment costs ^d	(3 463)	(6 576)	3 113	47.3%
Strategic Change Programme ^e	(611)	(4 434)	3 823	86.2%
PDFF expenses, including cooperating institutions ^f	(29 004)	(27 254)	(1 750)	(6.4%)

^a The net rate of return on IFAD cash and investments was 2.95% in 2005 compared with 4.5% in 2004.

^b Staff salaries and benefits increased in 2005 due principally to underlying inflationary prices including medical insurance and one-time costs.

^c The administrative budgets refer to both IFAD and the Office of Evaluation and include one-time costs (some USD 2.7 million in 2005 compared with some USD 2.3 million in 2004), the carry-forward of unused 2004 administrative budget allocations (some USD 1.5 million in 2005 compared with some USD 1.0 million in 2004) and external evaluation (USD 781 000 in 2004 only) but exclude field presence costs (USD 1.0 million in 2005 compared with USD 186 000 in 2004).

^d Direct bank and investment costs decreased in 2005 due to a decrease in the underlying portfolio value and also performance-related fees and a one-off receipt of USD 1.5 million of tax recoverable on investments received in the year.

^e Costs for the Strategic Change Programme are part of a multi-year budget.

^f The Programme Development Financing Facility (PDFF) finances multi-year expenditures required for the design, implementation and supervision of IFAD's projects and programmes.

II. BALANCE SHEET ITEMS

5. The following table provides information on selected assets and selected liabilities and contributions of the Fund as at 31 December 2005 and 2004 in nominal value terms.

	2005 Actual (USD '000)	2004 Actual (USD '000)
Selected assets		
Net cash and investment portfolio ^a	2 347 040	2 559 975
Promissory notes, net of provisions ^b	217 717	269 653
Contributions receivables, net of provisions ^b	125 058	258 429
Net loans outstanding ^c	3 598 478	3 799 036
Selected liabilities and contributions		
Undisbursed grants	(48 386)	(35 973)
Members' contributions, net of provisions ^d	(4 639 397)	(4 668 476)
General Reserve	(95 000)	(95 000)

^a The decrease in the net cash and investment portfolio is due principally to exchange rate losses.

^b The decrease in promissory notes and contributions receivables is due principally to encashments relating to the Sixth Replenishment.

^c The decrease in net loans outstanding relates principally to negative exchange rate movements and an increase in the loan provision.

^d The decrease in Members' contributions is due to exchange rate losses on encashment of promissory notes and instruments of contribution during the year.

III. OPERATIONAL STATISTICS

6. The table below shows key loan and grant cash flows.

	2005 Actual (USD '000)	2004 Actual (USD '000)
Resource flows to developing countries		
Loan disbursements	(343 469)	(313 660)
Grant disbursements	(22 186)	(17 877)
Total disbursed	(365 655)	(331 537)
Loan principal repayments	157 489	171 682
Interest and service charges received	45 346	48 166
Total receipts	202 835	219 848
Net resource outflows	(162 820)	(111 689)