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

AUDITED FINANCIAL STATEMENTS OF IFAD
AS AT 31 DECEMBER 2004

1. At its Eighty-Fourth Session in April 2005, the Executive Board reviewed the audited Financial Statements for 2004, 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 2004 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 Scheme). 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) and an IFAD-only balance sheet in special drawing rights (SDRs) terms (Appendix B1), which shows the movement in the underlying assets and liabilities, which are either denominated in or pegged to the SDR basket ratios.
 - (c) Income from interest and service charges on loans amounted to USD 48.0 million in 2004, compared with USD 47.1 million in 2003. In 2004 the Fund benefited from movement in the USD/SDR exchange rate: the SDR strengthened against the USD by an average 4.3 per cent. The Fund has excluded interest and service charges on loans

with arrears in excess of 180 days. The amount in 2004 was USD 2.9 million, compared with USD 3.5 million in 2003.

- (d) The gross income from cash and investments for IFAD amounted to USD 115.2 million in 2004, compared with USD 113.5 million for 2003. Direct charges against investment income amounted to USD 6.6 million in 2004, compared with USD 5.5 million in 2003.
- (e) In 2004, IFAD's administrative budget amounted to USD 57.0 million (2003: USD 49.1 million), with a Programme Development Financing Facility of USD 27.3 million (2003: USD 25.0 million), Strategic Change Programme of USD 4.4 million (2003: USD 6.2 million), direct charges against cash and investment income of USD 6.6 million (2003: 5.5 million) and other sources, principally relating to costs reimbursed by the Host Government, of USD 8.8 million (2003: USD 6.7 million). The increase in costs in USD terms reflects also the effect of costs incurred in euros, bearing in mind that the euro has appreciated by 9.1 per cent against the USD based on the average annual exchange rate.
- (f) IFAD has participated in the Debt Initiative for Heavily Indebted Poor Countries since 1997. In 2004, there was a charge (prior to currency effects) of USD 1.6 million (2003 (restated): USD 14 million). This charge represents the shortfall between the total cumulative cost of debt relief (including future interest) of USD 368.6 million as at 31 December 2004 and the cumulative funds currently available after the effects of revaluation. As shown in Appendix G, the debt relief provided to 31 December 2004 was about USD 48.1 million (principal) plus USD 16.6 million (interest). The remaining debt relief will be provided in the period 2005-33.
- (g) The increase in IFAD's net assets from 2003 (restated) to 2004 – from USD 6.4 billion to USD 6.9 billion – is due principally to the net positive effect of exchange rate movements in the year of some USD 242.9 million (2003 (restated): USD 485.4 million) and also to the excess of revenues over expenses of some USD 43.2 million (2003 (restated): USD 62.2 million). The foreign exchange movements relate principally to 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 4.3 per cent based on year-end rates.

3. The Financial Statements for 2004 were reviewed in detail at the Eighty-Ninth meeting of the Audit Committee held on 31 March 2005. The Chair of the Committee made a formal report at the Executive Board's Eighty-Fourth Session in April 2005. In the light of the Audit Committee's report, the Executive Board recommended the adoption of these statements by the Governing Council.

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 2004 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 2004 and 31 December 2003

- Appendix A – Consolidated and IFAD-Only Statement of Revenues and Expenses**
 - Appendix A1 – IFAD-Only Statement of Operating Expenses**
 - Appendix A2 – Consolidated and IFAD-Only Statement of Total Recognized Gains and Losses**
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 - Appendix F – Statement of Loans**
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 - 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 and IFAD-Only Statement of Revenues and Expenses

For the years ended 31 December 2004 and 2003 (expressed in thousands of United States dollars)

	Consolidated ¹		IFAD Only	
	2004	2003	2004	2003 Restated ²
Revenues				
Income from loans (Note 3)	48 027	47 100	48 027	47 100
Income from cash and investments (Note 4)	115 934	114 500	115 239	113 477
Income from other sources (Note 5)	8 583	5 612	9 632	6 844
Contributions income (Note 6)	49 636	20 615	31 177	7 002
Total Revenues	222 180	187 827	204 075	174 423
Operating Expenses				
Staff salaries and benefits (Note 7)	(48 592)	(40 617)	(45 149)	(37 962)
Office and general expenses	(20 616)	(18 729)	(20 097)	(18 091)
Consultants and other non-staff costs	(29 219)	(26 569)	(24 236)	(22 216)
Cooperating institutions	(9 197)	(9 227)	(8 672)	(9 033)
Direct bank and investment costs (Note 8)	(5 984)	(5 277)	(5 928)	(5 202)
Subtotal (Note 9)	(113 608)	(100 419)	(104 082)	(92 504)
Grant expenses (Note 10)	(27 179)	(22 854)	(18 480)	(18 906)
Allowance for loan impairment losses (Note 3 (b))	(48 991)	17 546	(48 991)	17 546
Debt Initiative for HIPCs expenses (Note 11)	(1 590)	(14 010)	(1 590)	(14 010)
Provision for after-service medical benefits (Note 7 (c))	12 300	(4 300)	12 300	(4 300)
Total Operating Expenses	(179 068)	(124 037)	(160 843)	(112 174)
Total Revenues Less Operating Expenses	43 112	63 790	43 232	62 249
Net Foreign Exchange Rate Movements (Note 2 (c))	246 729	486 739	242 876	485 431
Transfer to Retained Earnings	289 841	550 529	286 108	547 680

Appendix A1

IFAD-Only Statement of Operating Expenses

For the years ended 31 December 2004 and 2003 (expressed in thousands of United States dollars)

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

	Administrative Budgets ³	Programme Development Financing Facility (PDFF)	Strategic Change Programme (SCP)	Direct Charges ⁴	Other Sources ⁵	Total
Staff salaries and benefits	(41 551)	(1 934)	(809)	-	(855)	(45 149)
Office and general expenses	(9 254)	(2 159)	(266)	(503)	(7 915)	(20 097)
Consultants and other non-staff costs	(6 197)	(14 489)	(3 359)	(145)	(46)	(24 236)
Cooperating institutions	-	(8 672)	-	-	-	(8 672)
Direct bank and investment costs	-	-	-	(5 928)	-	(5 928)
Total 2004	(57 002)	(27 254)	(4 434)	(6 576)	(8 816)	(104 082)
Total 2003	(49 067)	(25 042)	(6 180)	(5 515)	(6 700)	(92 504)

¹ This 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 (APOs) and programmatic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); the Global Environment Facility
- Debt Initiative for Heavily Indebted Poor Countries (HIPCs) Trust Fund
- After-Service Medical Coverage Scheme (ASMCS) Trust Fund

See Note 2(a) for further information.

² Restated on the basis indicated in Note 2(i) and Note 6³ These refer to IFAD and its Office of Evaluation and include one-time costs and external evaluation⁴ Direct charges against investment income⁵ Includes positions 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 2004 and 2003 (expressed in thousands of United States dollars)

	Retained Earnings from Operations ¹	Foreign Exchange Effects ¹	Total Retained Earnings ²
Opening Balance as at 1 January 2003	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 operating exchange losses	(1 026)	-	(1 026)
Net foreign exchange rate movements (Note 2(c))	-	487 765	487 765
Total foreign exchange movements	(1 026)	487 765	486 739
Retained Earnings at 31 December 2003	1 171 255	690 797	1 862 052
Total revenues less operating expenses before the effect of foreign exchange rate movements	43 112	-	43 112
Net operating exchange losses	(1 944)	-	(1 944)
Net foreign exchange rate movements (Note 2(c))	-	248 673	248 673
Total foreign exchange movements	(1 944)	248 673	246 729
Retained Earnings as at 31 December 2004	1 212 423	939 470	2 151 893

IFAD-Only Statement of Total Recognized Gains and Losses

For the years ended 31 December 2004 and 2003 (expressed in thousands of United States dollars)

	Retained Earnings from Operations ¹	Foreign Exchange Effects ¹	Total Retained Earnings
Opening balance as at 1 January 2003	1 071 979	197 128	1 269 107
Reclassification of contribution income ³	36 243	886	37 129
Opening balance as at 1 January 2003 (Re-stated)	1 108 222	198 014	1 306 236
Total revenues less operating expenses before the effect of foreign exchange rate movements	62 249	-	62 249
Net operating exchange losses	(1 533)	-	(1 533)
Net foreign exchange rate movements	-	486 964	486 964
Total foreign exchange movements	(1 533)	486 964	485 431
Retained Earnings as at 31 December 2003 (Restated)	1 168 938	684 978	1 853 916
Total revenues less operating expenses before the effect of foreign exchange rate movements	43 232	-	43 232
Net Operating exchange losses	(360)	-	(360)
Net foreign exchange rate movements	-	243 236	243 236
Total foreign exchange movements	(360)	243 236	242 876
Retained Earnings as at 31 December 2004	1 211 810	928 214	2 140 024

1 See Note 2 (c)

2 Fully committed

3 See Notes 2(i) and Note 6

Consolidated and IFAD-Only Balance Sheet¹

As at 31 December 2004 and 2003 (expressed in thousands of United States dollars)

	Consolidated		IFAD-Only	
	2004	2003	2004	2003 Restated ²
Assets				
Cash on hand and in banks (Note 12)	172 678	270 359	151 160	244 012
Investments (Note 12)	2 689 060	2 424 810	2 571 013	2 311 321
Contributors' promissory notes (Note 13)	384 326	301 713	352 804	272 461
Contributions receivable (Note 13)	359 426	392 536	351 569	371 260
Less: provisions (Note 14)	<u>(176 292)</u>	<u>(180 671)</u>	<u>(176 292)</u>	<u>(180 671)</u>
	567 460	513 578	528 081	463 050
Other receivables (Note 15)	57 507	50 206	154 201	141 897
Loans outstanding (Note 3 and Appendix F)	4 153 208	3 844 702	4 153 208	3 844 702
Less: accumulated allowance for loan impairment losses (Note 3(b))	(114 060)	(60 525)	(114 060)	(60 525)
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 11(c))	<u>(240 112)</u>	<u>(255 972)</u>	<u>(240 112)</u>	<u>(255 972)</u>
Net loans outstanding	3 799 036	3 528 205	3 799 036	3 528 205
Total Assets	7 285 741	6 787 158	7 203 491	6 688 485
Liabilities, Contributions, Retained Earnings				
	Consolidated		IFAD Only	
	2004	2003	2004	2003 Restated ²
Payables and liabilities (Note 16)	251 649	300 356	261 183	306 995
Undisbursed grants	78 299	81 032	36 048	35 407
Deferred revenues (Note 17)	40 424	54 590	2 760	3 039
	370 372	435 978	299 991	345 441
Contributions (Note 18)				
Regular	4 824 420	4 554 451	4 824 420	4 554 451
Provisions	(176 292)	(180 671)	(176 292)	(180 671)
Special	<u>20 348</u>	<u>20 348</u>	<u>20 348</u>	<u>20 348</u>
Total Contributions	4 668 476	4 394 128	4 668 476	4 394 128
Fully committed retained earnings (Note 2(a))	2 151 893	1 862 052	2 140 024	1 853 916
General Reserve (Note 19)	95 000	95 000	95 000	95 000
Net assets	6 915 369	6 351 180	6 903 502	6 343 044
Total Liabilities, Contributions, Retained Earnings	7 285 741	6 787 158	7 203 491	6 688 485

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; the Global Environment Facility
 - Debt Initiative for HIPCs Trust Fund
 - ASMCS Trust Fund
- See Note 2(a) for further information.

² Restated on the basis indicated in Notes 2(i) and 6

IFAD-Only Balance Sheet Retranslated in SDR¹

As at 31 December 2004 and 2003 (expressed in thousands of special drawing rights)

Assets	2004	2003 Restated²
Cash on hand and in banks	97 536	164 159
Investments	1 658 946	1 554 941
Contributors' promissory notes	227 647	183 298
Contributions receivable	226 849	249 765
Less: provisions	<u>(113 752)</u>	<u>(121 547)</u>
	340 744	311 516
Other receivables	99 498	95 462
Loans outstanding	2 679 857	2 586 525
Less: accumulated allowance for loan impairment losses	(73 597)	(40 718)
Less: accumulated allowance for the Debt Initiative for HIPCs	<u>(154 932)</u>	<u>(172 205)</u>
Net loans outstanding	2 451 328	2 373 602
Total Assets	4 648 052	4 499 680
Liabilities, Contributions, Retained Earnings	2004	2003
Payables and liabilities	168 527	206 532
Undisbursed grants	23 212	23 821
Deferred revenues	1 781	2 044
	193 520	232 397
Contributions		
Regular	3 615 383	3 452 493
Provisions	(113 752)	(121 547)
Special	<u>15 219</u>	<u>15 219</u>
Total Contributions	3 516 850	3 346 165
Fully committed retained earnings	876 383	857 207
General Reserve	61 299	63 911
Net assets	4 454 532	4 267 283
Total Liabilities, Contributions, Retained Earnings	4 648 052	4 499 680

¹ Presented for information purposes only, as stated in Note 2(c).² Restated on the basis indicated in Notes 2(i) and 6.

Consolidated Cash-Flow Statement¹

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

	2004	2003
Cash flows from investing activities		
Loan disbursements	(313 660)	(288 352)
Loan principal repayments	171 682	140 135
Net sale of equities	1 367	5 100
Net cash flows invested in development activities	(140 611)	(143 117)
Cash flows from financing activities		
Payments for replenishment contributions	209 317	194 605
Net cash flows provided by financing activities	209 317	194 605
Cash flows from operating activities		
Interest received from loans	48 166	42 095
Income received from non-equity investments	55 588	26 800
Dividend income from equities	6 191	4 596
Receipts for non-replenishment contributions	52 321	61 441
Miscellaneous payments	10 677	(4 446)
Payments for operating expenses	(146 311)	(109 312)
Cash (payments)/receipts from other funds	18 747	(9 265)
Debt relief paid	(27 460)	(13 250)
Exchange loss on operations	(265)	(1 040)
Grant disbursements	(28 997)	(24 423)
Net cash flows (used)/provided by operating activities	(11 343)	(26 804)
Effects of exchange-rate movements on cash and investments, excluding equities	84 112	172 167
Net increase in unrestricted cash and cash equivalents	141 475	196 851
Unrestricted cash and cash equivalents at beginning of year	2 441 069	2 244 218
Unrestricted cash and cash equivalents at end of year	2 582 544	2 441 069
COMPOSED OF:		
Unrestricted cash	172 346	269 965
Unrestricted investments excluding equities	2 410 198	2 171 104
Cash and cash equivalents at end of period	2 582 544	2 441 069
Reconciliation of net income to net cash used by operating activities:		
Excess of revenue over operating expenses before net foreign exchange rate movements	43 112	63 790
Adjustment to reconcile net income to net cash provided by operations:		
- (increase)/decrease in accrued income on loans and investments	(8 520)	41 597
- increase in other receivables	(4 020)	(5 570)
- decrease in other payables	(57 291)	(81 881)
- gain on equities	(18 781)	(42 876)
- interest on restricted cash	57	(19)
- grants approved but not yet disbursed	(3 917)	(1 569)
- exchange loss on operations	(265)	(1 040)
- non-cash expenses relating to the Debt Initiative for HIPCs	1 590	14 010
- after-service medical provision	(12 300)	4 300
- loan impairment provision movement	(48 991)	(17 546)
Net cash flows (used)/provided by operating activities	(11 343)	(26 804)

¹ See Appendix H Note 2(g).

Statement of IFAD-Only Resources Available for Commitment¹

For the years ended 31 December 2004 and 2003 (expressed in thousands of United States dollars)

		2004	2003²
Assets in freely-convertible currencies	Cash	150 828	243 618
	Investments	2 570 627	2 310 730
	Promissory notes	351 405	271 061
	Other receivables	154 201	87 634
		3 227 061	2 913 043
Less	Payables and liabilities	261 183	326 405
	Programme Development Financing Facility (PDFF) carry forward	7 332	6 842
	General Reserve	95 000	95 000
	Undisbursed effective loans	2 121 558	2 009 778
	Approved loans signed but not yet effective	326 850	344 779
	Undisbursed grants	36 048	35 407
		2 484 456	2 389 964
	Provision for promissory notes	83 152	88 176
		2 931 123	2 906 387
Resources Available for Commitment		295 938	6 656
Less	Loans not yet signed	399 690	317 206
	Grants not yet signed	33 101	20 581
Net Resources pre-ACA		(136 853)	(331 131)
ACA carried forward at 1 January		331 131	277 780
ACA approved at Executive Board sessions during the year		-	420 400
		331 131	698 180
Less	ACA covered in year	(194 278)	(367 049)
ACA carried forward		136 853	331 131
Net Resources Available for Commitment		-	-

¹ See Appendix H, Note 2(h) and 14(c).² The 2003 figures have not been restated to reflect the change in presentation of certain contributions received, as described in Notes 2(i) and 6; the impact of this change has been included in the 2004 data.

Statement of Member States' Contributions and Special Contributions
As at 31 December 2004 and 2003

	Initial, First, Second, Third, Fourth and Fifth Replenishments			Sixth Replenishment			
	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Afghanistan	93						
Albania	20 000	USD	10 000	10 000	10 000		10 000
Algeria	50 330 000	USD	1 000 000	1 000 000	300 000	700 000	1 000 000
Angola	160 000	USD	100 000	100 000	100 000		100 000
Argentina	6 400 016						
Australia	37 419 241						
Austria	33 140 744	EUR	7 831 044	10 264 666	3 239 397	7 025 269	10 264 666
Azerbaijan	5 000	USD	95 000	95 000	95 000		95 000
Bangladesh	3 156 030	USD	600 000	600 000	180 000	420 000	600 000
Barbados	10 000						
Belgium	61 347 508	EUR	9 810 000	12 970 643	3 714 150	366 998	4 081 148
Belize	205 333						
Benin	100 000						
Bhutan	78 000	USD	27 000	27 000	27 000		27 000
Bolivia	900 000	USD	300 000	300 000	300 000		300 000
Botswana	235 000	USD	100 000	100 000	100 000		100 000
Brazil	36 103 497	USD	7 916 263	7 916 263		7 916 263	7 916 263
Burkina Faso	98 723	USD	60 000	60 000			
Burundi	69 861						
Cambodia	210 000	USD	210 000	210 000	210 000		210 000
Cameroon	554 886	USD	300 000	300 000	300 000		300 000
Canada	134 796 273	CAD	43 601 600	35 106 682	10 846 169	12 130 257	22 976 426
Cape Verde	26 000						
Central African Republic	10 725						
Chile	605 000	USD	95 000	95 000	95 000		95 000
China	30 338 534	USD	10 500 000	10 500 000			
Colombia	370 000	USD	100 000	100 000	100 000		100 000
Comoros	32 942						
Congo	151 092						
Cook Islands	5 000						
Côte d'Ivoire	1 558 822						
Cuba	8 520						
Cyprus	137 000						
Democratic People's Republic of Korea	796 734						
Democratic Republic of the Congo	27 691						
Denmark	85 471 745	DKK	170 000 000	30 108 974	8 364 084	2 375 492	10 739 576
Djibouti	6 000						
Dominica	54 987						
Dominican Republic	83 551						
Ecuador	790 994						

Cont'd

Initial, First,
Second, Third,
Fourth and
Fifth
Replenishments

Sixth Replenishment

	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Egypt	11 408 882	USD	3 000 000	3 000 000	900 000	2 100 000	3 000 000
El Salvador	100 000						
Eritrea	10 000	USD	10 000	10 000	10 000		10 000
Ethiopia	160 869						
Fiji	194 228						
Finland	25 700 942	EUR	4 600 000	6 140 950	2 063 200		2 063 200
France	174 610 449	EUR	24 000 000	32 622 002		10 874 001	10 874 001
Gabon	2 801 000						
Gambia	30 086	USD	9 810	9 810	9 810		9 810
Germany	258 497 297	USD	40 000 000	40 000 000		26 000 000	26 000 000
Ghana	966 487						
Greece	2 350 000	USD	600 000	600 000	600 000		600 000
Grenada	50 000	USD	25 000	25 000	25 000		25 000
Guatemala	693 021	USD	77 332	77 332	77 332		77 332
Guinea	189 725	USD					
Guinea-Bissau	30 000						
Guyana	479 921	USD	155 458	155 458	155 458		155 458
Haiti	107 118						
Honduras	749 460	USD	51 896	51 896	51 896		51 896
Iceland	5 000	USD					
India	47 812 382	USD	15 000 000	15 000 000	5 000 000		5 000 000
Indonesia	36 959 000	USD	5 000 000	5 000 000	1 500 000		1 500 000
Iran (Islamic Republic of)	128 750 000						
Iraq	53 099 000						
Ireland	5 007 473	EUR	1 173 618	1 462 932	931 185		931 185
Israel	300 000						
Italy	168 360 604						
Jamaica	325 814						
Japan	292 531 353	JPY	3 656 010 000	35 330 443	8 571 318	8 919 708	17 491 026
Jordan	580 000	USD	85 000	85 000	85 000		85 000
Kenya	4 407 784						
Kuwait	148 041 000	USD	5 000 000	5 000 000		5 000 000	5 000 000
Lao People's Democratic Republic	103 213						
Lebanon	114 999						
Lesotho	239 397	USD	50 000	50 000	50 000		50 000
Liberia	39 000						
Libyan Arab Jamahiriya	52 000 000						
Luxembourg	1 875 856	EUR	510 000	674 246	188 993	485 252	674 245
Madagascar	188 357	USD	91 355	91 355	91 355		91 355
Malawi	73 346						
Malaysia	750 000	USD	250 000	250 000	250 000		250 000
Maldives	51 000						
Mali	51 519	USD	11 020	11 020	11 020		11 020
Malta	54 985						
Mauritania	50 000						

Cont'd

Initial, First,
Second, Third,
Fourth and
Fifth
Replenishments

Sixth Replenishment

	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Mauritius	250 000	USD	20 000	20 000	20 000		20 000
Mexico	27 130 985	USD	3 000 000	3 000 000	1 000 000		1 000 000
Moldova		USD	6 100	6 100	6 100		6 100
Morocco	5 944 407	USD	300 000	300 000	0	150 000	150 000
Mozambique	240 390	USD	80 000	80 000	80 000		80 000
Myanmar	250 000						
Namibia	320 000	USD	20 000	20 000	20 000		20 000
Nepal	110 000						
Netherlands	171 747 838	EUR	40 000 000	53 415 262	8 197 091	45 218 172	53 415 263
New Zealand	7 991 330						
Nicaragua	88 571	USD	10 000	10 000	10 000		10 000
Niger	174 807						
Nigeria	95 184 000						
Norway	114 256 266	NOK	194 691 467	31 717 716	9 216 164	1 071 503	10 287 667
Oman	150 000						
Pakistan	8 933 776	USD	2 000 000	2 000 000	666 666		666 666
Panama	133 165	USD	16 600	16 600	16 600		16 600
Papua New Guinea	170 000						
Paraguay	604 842						
Peru	560 000	USD	200 000	200 000	200 000		200 000
Philippines	1 777 907						
Portugal	2 167 088						
Qatar	28 980 000	USD	1 000 000	1 000 000			
Republic of Korea	7 739 031	USD	2 500 000	2 500 000			
Romania	50 453	USD	100 000	100 000	50 000		50 000
Rwanda	159 499						
Saint Kitts and Nevis	20 000						
Saint Lucia	22 000						
Samoa	50 000						
Sao Tome and Principe	10 000						
Saudi Arabia	369 778 000	USD	10 000 000	10 000 000	3 000 000	7 000 000	10 000 000
Senegal	203 387	EUR	59 455	67 707	67 707		67 707
Seychelles	19 667						
Sierra Leone	36 726						
Solomon Islands	10 000						
Somalia	10 000						
South Africa	500 000						
Spain	9 642 940	EUR	2 596 500	3 056 989	3 056 989		3 056 989
Sri Lanka	5 883 000						
Sudan	688 266	EUR	162 863	200 588	200 588		200 588
Swaziland	178 329	USD	20 000	20 000	20 000		20 000
Sweden	125 100 114	SEK	296 706 440	41 302 684	27 315 198	13 987 486	41 302 684
Switzerland	78 326 044	CHF	21 323 400	18 752 440		6 243 954	6 243 954
Syrian Arab Republic	666 656	USD	300 000	300 000	300 000		300 000
Tajikistan	200						

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	Initial, First, Second, Third, Fourth and Fifth Replenishments				Sixth Replenishment		
	Instruments Deposited				Payments – USD Equivalent		
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Thailand	600 000	USD	150 000	150 000	150 000		150 000
Togo	35 443						
Tonga	55 000						
Tunisia	1 978 201	USD	600 000	600 000	200 000		200 000
Turkey	15 036 365	USD	300 000	300 000	200 000		200 000
Uganda	200 000						
United Arab Emirates	50 180 000	USD	1 000 000	1 000 000		1 000 000	1 000 000
United Kingdom of Great Britain and Northern Ireland	140 932 878	GBP	19 707 000	37 835 467			
United Republic of Tanzania	214 385						
United States of America	602 674 400	USD	45 000 000	45 000 000	6 750 000	8 165 518	14 915 518
Uruguay	225 000						
Venezuela (Bolivarian Republic of)	169 089 000	USD	5 600 000	5 600 000	1 146 685	4 453 315	5 600 000
Viet Nam	603 012	USD	500 000	500 000			
Yemen	1 287 105						
Yugoslavia	108 170						
Zambia	307 262						
Zimbabwe	2 103 074						
Total Contributions 31 December 2004	3 958 605 088			514 583 225	110 442 155	171 603 188	282 045 343
31 December 2003	3 912 364 263			290 854 713	17 066 143	51 551 114	68 617 257

¹ See Appendix H, Note 14

Statement of Member States' Contributions and Special Contributions
As at 31 December 2004 and 2003

Special Programme for Africa

	First Phase			Second Phase		
	Instruments Deposited			Instruments Deposited		
	Currency	Amount	USD Equivalent	Amount	USD Equivalent	Total
Australia	AUD	500 000	388 870			388 870
Belgium	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	EUR	15 000 000	17 618 920			17 618 920
Finland	EUR	9 960 089	12 205 384			12 205 384
France	EUR	32 014 294	37 690 272	3 811 225	4 008 189	41 698 461
Germany	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	EUR	380 921	418 410	253 948	288 600	707 010
Italy	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	EUR	247 894	266 099			266 099
Mauritania ¹	USD	25 000	25 000			25 000
Netherlands	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	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 of Great Britain and Northern Ireland	GBP	7 000 000	11 149 647			11 149 647
United States of America	USD	10 000 000	10 000 000	10 000 000	10 000 000	20 000 000
31 December 2004			288 867 785		62 364 272	351 232 057
31 December 2003			288 867 785		62 364 272	351 232 057

Summary of Member States' Contributions

	Value in USD '000	
	31 December 2004	31 December 2003
Initial Contributions	1 017 310	1 017 310
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	552 495	552 495
Fourth Replenishment	361 918	361 515
Fifth Replenishment	443 950	398 112
Sixth Replenishment	514 583	290 855
Total IFAD	4 473 188	4 203 219
SPA First Phase	288 868	288 868
SPA Second Phase	62 364	62 364
Total SPA	351 232	351 232
Total IFAD and SPA	4 824 420	4 554 451

Cont'd.

¹ See Appendix H, Note 14

As at 31 December 2004 and 2003

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	10 000	-	10 000
Other	129 050	-	129 050
31 December 2004	20 139 050	-	20 139 050
31 December 2003	20 139 050	-	20 139 050
SPA			
First Phase	-	209 345	209 345
31 December 2004	-	209 345	209 345
31 December 2003	-	209 345	209 345
Total IFAD and SPA	20 139 050	209 345	20 348 395
31 December 2004	20 139 050	209 345	20 348 395
31 December 2003	20 139 050	209 345	20 348 395

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Appendix E1

Statement of Complementary and Supplementary Contributions
As at 31 December 2004 and 2003

1. 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 (BSF.JP)	EUR	19 831 482	24 039 191	15 180 985	8 858 206	24 039 191
Netherlands (Debt Initiative for HIPCs)	EUR	12 081 227	12 428 584	12 428 584	-	12 428 584
31 December 2004			36 467 775	27 609 569	8 858 206	36 467 775
31 December 2003			35 887 751	26 165 908	8 220 194	34 386 102
Fifth Replenishment						
Belgium (BSF.JP)	EUR	14 873 611	19 293 708	2 014 746	17 278 962	19 293 708
31 December 2004			19 293 708	2 014 746	17 278 962	19 293 708
31 December 2003			18 049 189	2 014 746	16 034 443	18 049 189
Sixth Replenishment						
Belgium (BSF.JP)	EUR	7 646 256	9 806 218	4 420 869	5 385 349	9 806 218
Canada	CAD	2 000 000	1 511 373	1 511 373	-	1 511 373
Italy (Debt Initiative for HIPCs)	EUR	3 720 000	4 602 198	4 602 198	-	4 602 198
Luxembourg (Debt Initiative for HIPCs)	EUR	630 000	778 239	778 239	-	778 239
United Kingdom of Great Britain and Northern Ireland ³	USD	858 959	858 959 ³	858 959	-	858 959
31 December 2004			17 556 987	12 171 638	5 385 349	17 556 987
31 December 2003			8 221 844	3 224 375	4 997 469	8 221 844
Total Complementary Contributions						
31 December 2004			82 459 511	41 795 953	31 522 517	73 318 470
31 December 2003			62 158 784	31 405 029	29 252 106	60 657 135

2. Statement of Contributions from Member States and Donors to the Debt Initiative for HIPCs received through the World Bank Trust Fund

Belgium	EUR	2 974 722	2 713 086	2 713 086	-	2 713 086
European Union	EUR	7 500 000	9 502 794	9 502 794	-	9 502 794
European Union	USD	1 009 704	1 009 704	1 009 704	-	1 009 704
Finland	EUR	2 000 000	2 536 640	2 536 640	-	2 536 640
Germany	EUR	7 669 378	6 988 921	6 988 921	-	6 988 921
Iceland	USD	250 000	250 000	250 000	-	250 000
Norway	USD	5 911 693	5 911 693	5 911 693	-	5 911 693
Sweden	USD	10 000 000	10 000 000	10 000 000	-	10 000 000
Switzerland	USD	3 275 500	3 275 500	3 275 500	-	3 275 500
31 December 2004			42 188 338	42 188 338	-	42 188 338
31 December 2003			15 613 700	15 613 700	-	15 613 700
Total Contributions to Debt Initiative from Member States ²						
Total 31 December 2004			59 997 359	59 997 359	-	59 997 359
Total 31 December 2003			28 100 272	26 598 623	-	26 598 623

3. 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	24 039 191
Fifth Replenishment	EUR	14 873 611	19 293 708
Sixth Replenishment	EUR	7 646 256	9 806 218
31 December 2004		110 954 642	116 974 752
31 December 2003	EUR	109 487 042	114 236 578

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

² Comprises contributions from Italy, Luxembourg and The Netherlands included in complementary contributions received directly from Member States.

³ The United Kingdom of Great Britain and Northern Ireland has pledged USD 10 million as a complementary contribution to the Sixth Replenishment.

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Appendix E1

4. Statement of Supplementary Contributions

Cumulative Value of Contributions	USD '000 Equivalent	
	As at 31 December 2004	As at 31 December 2003
Cofinancing Funds	151 596	157 744
Programmatic Supplementary Funds	62 956	59 188
Associate Professional Officer (APO) funds	24 396	22 174
Global Environment Fund (GEF)	993	331
Other Supplementary Funds	11 420	9 408
Total Supplementary Contributions	251 361	248 845

5. Statement of Movement in Contributions

For the year ended 31 December 2004

	USD '000 Equivalent					
	Cofinancing Funds	Programmatic Supplementary Funds	APO Funds	GEF	Other Supplementary Funds	Total
Undisbursed funds at 1 January 2004	10 327	26 130	1 282	63	1 086	38 888
Contributions received from donors	4 304	3 653	2 261	650	2 520	13 388
Returned to donors	0	0	(54)	0	(499)	(533)
Interest added to funds		182		11		193
Expenditures	(4 989)	(7 664)	(1 871)	(156)	(687)	(15 367)
Undisbursed funds at 31 December 2004	9 642	22 301	1 618	568	2 420	36 549

6. Cofinancing Funds

Donor	USD '000 Equivalent			
	Undisbursed		Contribution Value	
	As at 31 December 2004	2003	2004	2003
Member States				
Austria	-	-	755	755
Australia	-	-	2 721	2 721
Belgium	57	127	5 059	5 057
Denmark	-	-	2 467	2 467
Finland	-	-	2 397	2 397
France	-	-	1 032	1 032
Germany	-	-	46	46
Ireland	2 854	3 035	6 307	4 921
Italy	2 916	1 123	14 556	9 594
Japan	574	751	1 876	1 626
Luxembourg	-	-	750	2 959
Netherlands	-	-	63 033	63 033
Norway	1 337	1 581	19 045	19 345
Portugal	-	-	142	142
Suriname	2	2	2 019	2 018
Sweden	483	642	9 379	9 379
Switzerland	906	1 767	8 023	8 051
United Kingdom of Great Britain and Northern Ireland	-	-	171	12 165
Non-Member States and Other Sources				
African Development Bank	-	-	2 800	2 800
Arab Bank	-	-	899	-
Arab Fund for Economic and Social Development	310	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
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
UNFIP	-	-	81	-
World Bank	203	-	802	-
Total	9 642	10 327	151 596	157 744

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Appendix E1

7. Programmatic Supplementary Funds

Donor	USD '000 Equivalent			
	Undisbursed		Contribution Value	
	As at 31 December		2004	2003
	2004	2003	2004	2003
Canada	167	296	333	329
Congress Hunger Centre	61	54	201	101
Denmark	75	72	3 276	3 273
Finland	520	253	1 969	1 546
France	329	-	3 237	2 893
Germany	2 369	3 907	5 495	4 582
International Network for Bamboo and Rattan	18	-	27	-
Ireland	1 299	1 670	1 662	1 964
Italy	8 821	11 648	16 675	16 637
Japan	531	866	3 770	4 020
Luxembourg	74	27	74	60
Malaysia	13	13	13	13
Netherlands	855	633	9 828	9 097
Norway	1 556	1 533	3 659	3 331
Portugal	340	336	662	587
Sweden	1 013	1 074	1 642	1 642
Switzerland	3 670	3 022	7 352	6 397
United Kingdom of Great Britain and Northern Ireland	557	726	2 799	2 467
World Bank	33	-	282	249
Total	22 301	26 130	62 956	59 188

Since 2004, the Global Environment Fund has been disclosed separately. The amount of USD 993 000 (2003 – USD 331 000) related to the contributions value and the amount of USD 568 000 (2003 – USD 63 000) related to the undisbursed funds are disclosed in a separate section (see below).

8. Associate Professional Officer Funds

Donor	USD '000 Equivalent					
	Cumulative Number of APOs		Undisbursed		Total Contributions Received	
	2004	2003	2004	2003	2004	2003
Belgium	3	3	-	-	321	321
Denmark	19	16	366	352	3 086	2 793
Finland	8	7	204	112	1 264	1 128
France	3	3	9	(37)	568	522
Germany	25	22	288	234	3 484	3 219
Italy	17	13	302	81	3 532	2 930
Japan	11	9	191	214	1 894	1 765
Korea	7	6	(68)	(20)	2 038	1 902
Netherlands	29	24	24	164	4 320	4 076
Norway	8	7	129	110	1 244	1 134
Sweden	12	11	124	(39)	1 934	1 693
Switzerland	3	2	48	110	388	368
United States of America	3	3	1	1	323	323
Total	148	126	1 618	1 282	24 396	22 174

A total of 22 APOs worked at IFAD during 2004 (2003 - 27). These were financed by Denmark (3), Finland (1), Germany (3), Italy (4), Japan (2), Republic of Korea (1), Netherlands (5), Norway (1), Sweden (1) and Switzerland (1).

9. Global Environment Fund

Recipient Country	Contributions Received	USD '000 Equivalent			
		Undisbursed at 1 January 2004	Received/ (Returned to donors)	Disbursements	Undisbursed at 31 December 2004
Brazil	300	-	300	(109)	191
Ethiopia	350	-	350	-	350
Mali	327	58	-	(47)	11
Total	977	58	650	(156)	552
Interest added to funds	16	5	11	-	16
Total	993	63	661	(156)	568

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Appendix E1

10. Other Supplementary Funds/Complementary Contributions

Donor	USD '000 Equivalent			
	Undisbursed		Contribution Value	
	As at 31 December		2004	2003
	2004	2003	2004	2003
Member States				
Angola	-	-	7	7
Australia	-	-	84	84
Belgium ¹	19	88	1 480	1 480
Canada ³	1 740	-	2 648	909
China	-	-	30	30
Colombia	-	-	25	25
Denmark	202	300	546	546
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	50	1 178	1 178
Pakistan	-	-	25	25
Paraguay	-	-	15	15
Senegal	-	-	15	15
South Africa	-	-	10	10
Spain	-	-	8	8
Sweden	100	-	417	317
Switzerland	2	2	272	272
Turkey	-	-	47	47
United Kingdom of Great Britain and Northern Ireland ²	281	620	910	739
United States of America	-	-	85	85
Total	2 394	1 060	10 717	8 707
Non Member States	26	26	703	701
Grand Total	2 420	1 086	11 420	9 408

¹ The total contribution of Belgium includes USD 942 000 provided by the BSF.JP.

² The total contribution of the United Kingdom of Great Britain and Northern Ireland includes USD 859 000 equivalent relating to the Innovation Programme, which is a complementary contribution to IFAD's resources as disclosed in Appendix E1 Table 1.

³ The total contribution of Canada includes USD 1 511 000 equivalent relating to other complementary contributions, as disclosed in Appendix E1 Table 1.

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Appendix F

Statement of Loans¹

As at 31 December 2004 and 2003

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	12 000 000	18 000 000
Cape Verde	2 003 243	-	-	2 003 243	801 280	1 201 963
Haiti	3 500 000	-	-	3 500 000	1 443 750	2 056 250
Nepal	11 538 262	-	-	11 538 262	4 626 500	6 911 762
Sri Lanka	12 000 000	-	-	12 000 000	5 100 000	6 900 000
United Republic of Tanzania	9 488 456	-	-	9 488 456	3 913 998	5 574 458
Subtotal¹	68 529 961	-	-	68 529 961	27 885 528	40 644 433
Exchange adjustment on United States dollar loans	3 406 236	-	-	3 406 236	3 136 763	269 473
Subtotal USD Loans¹	71 936 197	-	-	71 936 197	31 022 291	40 913 906
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Albania	23 727 333	-	2 429 014	21 298 319	200 684	21 097 635
Algeria	41 200 530	20 050 000	9 003 868	12 146 662	9 863 920	2 282 742
Angola	12 000 000	-	3 986 322	8 013 678	-	8 013 678
Argentina	45 700 000	13 350 000	18 584 710	13 765 290	11 557 336	2 207 954
Armenia	37 750 000	10 450 000	187 528	27 112 472	-	27 112 472
Azerbaijan	21 809 390	8 600 000	4 599 478	8 609 912	-	8 609 912
Bangladesh ²	227 397 944	13 400 000	37 536 577	176 461 367	29 369 141	147 092 226
Belize	3 416 200	-	988 670	2 427 530	1 773 786	653 744
Benin	65 804 313	-	16 491 875	49 312 438	8 031 700	41 280 738
Bhutan	18 034 372	-	1 849 786	16 184 586	2 404 702	13 779 884
Bolivia	48 996 122	-	11 759 171	37 236 951	9 116 012	28 120 939
Bosnia and Herzegovina	23 957 479	-	7 049 976	16 907 503	-	16 907 503
Brazil	59 649 999	15 450 000	14 546 473	29 653 526	13 755 000	15 898 526
Burkina Faso	63 733 552	10 700 000	23 972 620	29 060 932	3 923 085	25 137 847
Burundi ²	41 689 386	11 300 000	7 362 782	23 026 604	5 927 635	17 098 969
Cambodia	28 350 000	-	14 406 951	13 943 049	-	13 943 049
Cameroon	38 878 543	-	24 012 298	14 866 245	3 037 125	11 829 120
Cape Verde	10 889 724	-	4 439 086	6 450 638	689 444	5 761 194
Central African Republic	23 044 455	-	-	23 044 455	1 758 492	21 285 963
Chad	17 750 000	9 500 000	6 648 401	1 601 599	-	1 601 599
China	314 382 321	31 900 000	43 517 803	238 964 518	32 661 137	206 303 381
Colombia	11 000 000	-	5 153 320	5 846 680	3 666 660	2 180 020
Comoros	4 181 951	-	-	4 181 951	600 494	3 581 457
Congo	10 003 279	-	8 050 000	1 953 279	1 828 530	124 749
Costa Rica	5 722 172	-	498 686	5 223 486	3 590 691	1 632 795
Côte d'Ivoire	29 348 420	-	17 331 646	12 016 774	5 143 032	6 873 742
Cuba	10 581 121	-	-	10 581 121	2 272 855	8 308 266
Democratic People's Republic of Korea	50 500 000	-	8 250 786	42 249 214	2 784 470	39 464 744
Democratic Republic of the Congo	28 742 557	10 000 000	-	18 742 557	1 634 702	17 107 855
Djibouti	4 461 831	-	2 750 000	1 711 831	494 591	1 217 240
Dominica	4 246 460	-	159 872	4 086 588	2 010 500	2 076 088
Dominican Republic	29 058 437	10 600 000	3 016 739	15 441 698	6 133 230	9 308 468
Ecuador	32 721 257	9 900 000	495 713	22 325 544	8 154 282	14 171 262
Egypt	135 239 392	-	39 162 561	96 076 831	32 675 445	63 401 386
El Salvador	58 864 293	-	19 409 557	39 454 736	15 161 556	24 293 180
Equatorial Guinea	5 793 838	-	-	5 793 838	634 251	5 159 587
Eritrea	16 650 000	-	7 487 052	9 162 948	-	9 162 948
Ethiopia	131 661 415	18 200 000	41 997 826	71 463 589	11 798 815	59 664 774
Gabon	4 792 609	-	-	4 792 609	3 983 605	809 004
Gambia	25 458 432	4 850 000	2 401 306	18 207 126	2 506 380	15 700 746
Georgia	10 800 000	-	4 606 358	6 193 642	-	6 193 642
Ghana	79 290 184	-	26 232 036	53 058 148	5 846 690	47 211 458
Grenada	3 250 000	-	2 834 055	415 945	-	415 945
Guatemala	69 577 360	32 900 000	14 484 014	22 193 346	12 475 345	9 718 001
Guinea-Bissau	5 117 134	-	-	5 117 134	731 796	4 385 338
Guinea	74 783 729	9 950 000	20 665 964	44 167 765	3 931 410	40 236 355
Guyana	12 144 316	-	4 237 924	7 906 392	4 215 302	3 691 090
Haiti	52 051 777	-	26 925 898	25 125 879	6 237 426	18 888 453
Honduras	66 456 153	-	16 545 531	49 910 622	5 928 502	43 982 120
India	339 893 236	-	99 246 608	240 646 628	56 702 911	183 943 717

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Borrower or Guarantor	Approved		Effective Loans			
	Loans Less Cancellations	Loans Not Yet Effective	Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Indonesia ²	146 975 720	37 750 000	16 182 083	93 043 637	39 928 921	53 114 716
Jamaica	2 253 312	-	-	2 253 312	2 087 651	165 661
Jordan	32 770 647	7 600 000	6 816 944	18 353 703	5 172 211	13 181 492
Kenya	50 061 042	-	29 054 113	21 006 929	3 773 440	17 233 489
Kyrgyzstan	7 469 449	-	1 418 611	6 050 838	-	6 050 838
Lao People's Democratic Republic	36 386 516	-	7 876 001	28 510 515	2 943 365	25 567 150
Lebanon	20 134 829	-	6 460 537	13 674 292	6 560 309	7 113 983
Lesotho	21 340 053	6 800 000	1 143 290	13 396 763	2 359 155	11 037 608
Liberia	10 179 774	-	-	10 179 774	-	10 179 774
Macedonia	11 850 000	-	4 928 233	6 921 767	-	6 921 767
Madagascar ²	67 916 578	-	17 078 106	50 838 472	6 740 053	44 098 419
Malawi ²	59 390 887	-	11 484 679	47 906 208	9 184 173	38 722 035
Maldives	5 693 535	-	-	5 693 535	819 675	4 873 860
Mali	61 313 528	-	13 250 743	48 062 785	6 598 150	41 464 635
Mauritania	41 467 143	-	22 538 242	18 928 901	3 676 824	15 252 077
Mauritius	8 200 000	-	5 403 605	2 796 395	-	2 796 395
Mexico	36 050 000	10 500 000	12 585 480	12 964 520	4 425 413	8 539 107
Mongolia	14 150 000	-	10 176 595	3 973 405	-	3 973 405
Morocco	60 347 589	-	25 240 405	35 107 184	20 165 736	14 941 448
Mozambique ²	81 299 776	6 650 000	25 538 968	49 110 808	6 038 505	43 072 303
Namibia	4 200 000	-	33	4 199 967	1 400 000	2 799 967
Nepal	72 956 798	7 150 000	16 715 116	49 091 682	11 050 496	38 041 186
Nicaragua	36 282 122	-	18 706 142	17 575 980	261 111	17 314 869
Niger	37 029 171	7 600 000	7 405 986	22 023 185	2 744 049	19 279 136
Nigeria	84 317 941	11 350 000	35 166 710	37 801 231	16 933 464	20 867 767
Pakistan ²	201 695 180	-	53 374 824	148 320 356	59 532 852	88 787 504
Panama	38 819 165	-	25 769 935	13 049 230	7 474 885	5 574 345
Papua New Guinea	5 687 678	-	-	5 687 678	3 525 050	2 162 628
Paraguay	13 079 234	-	1 034 819	12 044 415	7 759 998	4 284 417
Peru	51 993 421	12 100 000	8 731 218	31 162 203	15 114 302	16 047 901
Philippines	49 400 526	-	16 928 504	32 472 022	7 585 072	24 886 950
Republic of Moldova	16 100 000	10 300 000	921 083	4 878 917	-	4 878 917
Romania	12 400 000	-	7 971 804	4 428 196	826 668	3 601 528
Rwanda ²	79 486 845	-	36 251 753	43 235 092	5 987 290	37 247 802
Saint Lucia	1 350 000	-	107 912	1 242 088	361 620	880 468
Saint Vincent and the Grenadines	1 484 045	-	-	1 484 045	783 510	700 535
Samoa	1 907 723	-	-	1 907 723	339 368	1 568 355
Sao Tome and Principe	13 760 513	-	7 171 993	6 588 520	889 300	5 699 220
Senegal	50 595 355	-	22 775 738	27 819 617	2 596 000	25 223 617
Seychelles	824 334	-	-	824 334	471 885	352 449
Sierra Leone	26 500 215	5 900 000	-	20 600 215	4 631 835	15 968 380
Solomon Islands	2 519 083	-	-	2 519 083	300 769	2 218 314
Somalia	17 709 534	-	-	17 709 534	410 968	17 298 566
Sri Lanka	73 694 846	15 100 000	4 115 534	54 479 312	10 123 773	44 355 539
Sudan ²	112 699 504	17 050 000	25 525 143	70 124 361	15 313 025	54 811 336
Swaziland	16 352 735	-	11 220 694	5 132 041	2 210 000	2 922 041
Syrian Arab Republic	59 014 816	-	35 629 499	23 385 317	13 310 002	10 075 315
Thailand	1 459 122	-	-	1 459 122	1 459 122	-
Togo	17 565 212	-	-	17 565 212	1 520 745	16 044 467
Tonga	4 837 121	-	-	4 837 121	617 907	4 219 214
Tunisia	58 937 760	-	20 227 988	38 709 772	22 876 620	15 833 152
Turkey	31 692 911	9 250 000	5 932 544	16 510 367	11 846 650	4 663 717
Uganda ²	104 320 096	-	45 540 067	58 780 029	10 943 268	47 836 761
United Republic of Tanzania	99 208 332	17 050 000	21 889 407	60 268 925	2 736 632	57 532 293
Uruguay	18 879 950	-	8 317 243	10 562 707	5 454 400	5 108 307
Venezuela	39 750 000	10 400 000	15 176 444	14 173 556	13 673 831	499 725
Viet Nam	76 500 000	16 100 000	15 461 327	44 938 673	667 500	44 271 173
Yemen ²	121 286 097	9 800 000	20 732 771	90 753 326	19 264 408	71 488 918
Zambia	72 078 998	9 250 000	12 215 250	50 613 748	5 938 680	44 675 068
Zimbabwe	46 158 137	-	13 982 082	32 176 055	15 383 160	16 792 895
Subtotal	5 030 337 914	468 800 000	1 357 493 038	3 204 044 875	760 006 466	2 444 038 409
Fund for Gaza and the West Bank ³	5 800 000	-	5 089 880	710 120	-	710 120
Total	5 036 137 914	468 800 000	1 362 582 918	3 204 754 995	760 006 466	2 444 748 529
USD equivalent	7 804 940 568	726 540 099	2 111 713 160	4 966 687 309	1 043 171 596	3 923 515 713
Exchange adjustment on SDR loan repayments	(134 676 467)			(134 676 467)		(134 676 467)
Subtotal SDR Loans	7 670 264 101	726 540 099	2 111 713 160	4 832 010 842	1 043 171 596	3 788 839 246
31 December 2004 USD	7 742 200 298	726 540 099	2 111 713 160	4 903 947 039	1 074 193 887	3 829 753 152
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

A

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Appendix F

Statement of Loans¹
As at 31 December 2004

Summary

		Approved Loans in SDR'000				Value in USD'000				
		As at 1 January 2004	Loans Cancelled	Loans Fully Repaid	As at 31 December 2004	As at 1 January 2004	Loans Cancelled	Loans Fully Repaid	Movement in Exchange Rate SDR/USD	As at 31 December 2004
1978	USD	68 530			68 530	68 530				68 530
1979	SDR	210 786		(9 300)	201 486	313 320	-	(14 413)	13 353	312 260
1980	SDR	187 228			187 228	278 302	-	-	11 862	290 164
1981	SDR	188 716			188 716	280 514	-	-	11 956	292 470
1982	SDR	103 110			103 110	153 266	-	-	6 533	159 799
1983	SDR	152 913		(9 324)	143 589	227 295	-	(14 450)	9 687	222 532
1984	SDR	153 038		(1 330)	151 708	227 481	-	(2 061)	9 695	235 115
1985	SDR	88 754		(5 600)	83 154	131 927	-	(8 679)	5 623	128 871
1986	SDR	63 331			63 331	94 138	-	-	4 012	98 150
1987	SDR	94 454		(5 104)	89 350	140 400	-	(7 910)	5 983	138 473
1988	SDR	91 806	(2 657)		89 149	136 464	(4 118)	-	5 816	138 162
1989	SDR	108 252			108 252	160 910	-	-	6 858	167 768
1990	SDR	128 228		(21 650)	106 578	190 603	-	(33 553)	8 123	165 173
1991	SDR	148 241	(1 039)		147 202	220 351	(1 610)	-	9 391	228 132
1992	SDR	169 733	(2 598)	(15 790)	151 345	252 297	(4 026)	(24 471)	10 752	234 552
1993	SDR	184 480	(1 482)		182 998	274 218	(2 297)	-	11 687	283 608
1994	SDR	191 785	(3 152)	(3 727)	184 906	285 076	(4 885)	(5 776)	12 150	286 565
1995	SDR	241 053	(4 283)		236 770	358 310	(6 638)	-	15 271	366 943
1996	SDR	253 799	(1 118)		252 681	377 256	(1 733)	-	16 079	391 602
1997	SDR	288 210	(3 059)		285 151	428 406	(4 741)	-	18 258	441 923
1998	SDR	294 884			294 884	438 326	-	-	18 681	457 007
1999	SDR	316 050			316 050	469 788	-	-	20 022	489 810
2000	SDR	312 250			312 250	464 140	-	-	19 781	483 921
2001	SDR	316 850	(10 250)		306 600	470 978	(15 885)	-	20 072	475 165
2002	SDR	281 400	(9 600)		271 800	418 284	(14 878)	-	17 826	421 232
2003	SDR	285 850			285 850	424 898	-	-	18 109	443 007
2004	SDR				292 000					452 536
Total	SDR	4 855 201	(39 238)	(71 825)	5 036 138					
	USD	68 530			68 530					
Total						7 285 478	(60 811)	(111 313)	307 580	7 873 470
Exchange adjustment on loans disbursed						(88 771)				(131 270)
	USD					7 196 707				7 742 200

Maturity Structure of Outstanding Loans

As at 31 December 2004 and 2003
(USD'000)

Period due	2004	2003
Less than 1 year	199 115	185 875
1-2 years	153 973	145 116
2-3 years	159 046	144 907
3-4 years	157 628	141 684
4-5 years	155 196	140 815
5-10 years	826 127	757 172
10-15 years	663 519	582 885
16-20 years	549 596	487 706
21-25 years	490 863	438 956
More than 25 years	474 690	504 152
Total	3 829 753	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 1.549787/1 at 31 December 2004. Since the loans were valued at 31 December 2003 at the then prevailing rate of 1.48644/1, there is an increase in value in terms of United States dollars of USD 307 579 000, attributable to the movement in exchange rates from 31 December 2003 to 31 December 2004 (from 2002 to 2003, there was a increase in value in terms of United States dollars of USD 579 967 000).

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. For further information regarding contributions made from resulting in early repayment of loans see Appendix E1

³ See Appendix H, Note 3(e).

Statement of Loans – Special Programme for Africa
As at 31 December 2004 and 2003

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Angola	2 767 309	-	642 677	2 124 632	58 410	2 066 222
Burkina Faso	10 546 114	-	-	10 546 114	1 014 314	9 531 800
Burundi	4 500 000	-	11 462	4 488 538	189 381	4 299 157
Cape Verde	2 182 547	-	-	2 182 547	262 700	1 919 847
Chad	9 617 099	-	-	9 617 099	512 991	9 104 108
Comoros	2 450 000	-	203 710	2 246 290	-	2 246 290
Djibouti	113 718	-	-	113 718	9 954	103 764
Ethiopia	6 816 469	-	-	6 816 469	1 050 700	5 765 769
Gambia	2 638 448	-	-	2 638 448	329 800	2 308 648
Ghana	22 321 239	-	-	22 321 239	2 370 213	19 951 026
Guinea-Bissau	2 126 406	-	-	2 126 406	79 740	2 046 666
Guinea	10 761 866	-	-	10 761 866	1 614 276	9 147 590
Kenya	13 887 096	-	4 842 070	9 045 026	983 928	8 061 098
Lesotho	7 481 439	-	-	7 481 439	847 010	6 634 429
Madagascar	1 098 064	-	-	1 098 064	-	1 098 064
Malawi	5 776 933	-	-	5 776 933	145 325	5 631 608
Mali	10 193 236	-	-	10 193 236	1 787 890	8 405 346
Mauritania	19 020 121	-	-	19 020 121	2 143 842	16 876 279
Mozambique	8 291 210	-	-	8 291 210	1 554 600	6 736 610
Niger	11 639 566	-	520 732	11 118 834	1 847 150	9 271 684
Senegal	23 376 422	-	186 319	23 190 103	2 401 414	20 788 689
Sierra Leone	1 505 254	-	-	1 505 254	37 632	1 467 622
Sudan	26 012 587	-	(54 839)	26 067 426	3 050 736	23 016 690
Uganda	8 123 651	-	-	8 123 651	1 421 630	6 702 021
United Republic of Tanzania	6 789 416	-	-	6 789 416	848 700	5 940 716
Zambia	8 606 704	-	-	8 606 704	1 492 560	7 114 144
Subtotal	228 642 914	-	6 352 131	222 290 783	26 054 896	196 235 887
USD Equivalent¹	354 347 793		9 844 450	344 503 343	35 534 700	308 968 643
Exchange adjustment on SDR Loan Repayments	(4 844 837)			(4 844 837)		(4 844 837)
31 December 2004 USD	349 502 956		9 844 450	339 658 506	35 534 700	304 123 806
31 December 2003 USD	338 669 436		14 301 617	324 367 819	27 540 917	296 826 902

Summary

		Approved Loans in SDR'000			Value in USD'000			
		At 1 January 2004	Loans Cancelled	At 31 December 2004	At 1 January 2004	Loans Cancelled	Movement in Exchange Rate SDR/USD	At 31 December 2004
1986	SDR	24 902		24 902	37 015		1 578	38 593
1987	SDR	41 292		41 292	61 378		2 616	63 994
1988	SDR	34 770		34 770	51 683		2 203	53 886
1989	SDR	25 756		25 756	38 285		1 631	39 916
1990	SDR	17 370		17 370	25 819		1 101	26 920
1991	SDR	18 246		18 246	27 121		1 156	28 277
1992	SDR	6 952		6 952	10 334		440	10 774
1993	SDR	36 627	(551)	36 076	54 444	(854)	2 320	55 910
1994	SDR	16 548	(67)	16 481	24 518	(104)	1 128	25 542
1995	SDR	7 498	(700)	6 798	11 145	(1 085)	476	10 536
Total	SDR	229 961	(1 318)	228 643	341 742	(2 043)	14 649	354 348

Maturity Structure of Outstanding Loans
As at 31 December 2004 and 2003 (USD'000)

Period due	2004	2003
Less than 1 year	9 854	8 763
1-2 years	9 291	8 630
2-3 years	9 291	8 974
3-4 years	9 291	8 974
4-5 years	9 291	8 974
5-10 years	46 299	44 870
10-15 years	45 883	43 122
16-20 years	44 186	42 857
21-25 years	43 244	41 286
More than 25 years	77 494	80 377
Total	304 124	296 827

Statement of Grants – IFAD Only
For the year ended 31 December 2004
(USD'000)

	Undisbursed as at 1 January 2004	Effective	Disbursements	Cancellations	Reclassification/ Revaluation	Undisbursed as at 31 December 2004
Non-Governmental Organization/Extended Cooperation Programme grants	1 740	1 585	(1 480)	(238)	216	1 823
Component grants	1 804	-	(198)	-	(18)	1 588
Research grants	31 863	19 428	(16 199)	(2 174)	(281)	32 637
Total	35 407	21 013	(17 877)	(2 412)	(83)	36 048

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 1.54979/1 as at 31 December 2004. Since the loans were valued at 31 December 2003, at the then prevailing rate of 1.48644/1, there has been an increase in value in terms of United States dollars of USD 14 649 000, attributable to the movement in exchange rates from 31 December 2003 to 31 December 2004 (from 2002 to 2003 there was an increase in value in terms of United States dollars of USD 29 185 000)

Summary of the Debt Initiative for Heavily Indebted Poor Countries
(expressed in thousands of special drawing rights)

At 31 December 2004, 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	1 211	479	2 732	961	3 943	1 440	5 383
Bolivia	5 858	1 852	-	-	5 858	1 852	7 710
Burkina Faso	1 703	969	5 490	1 412	7 193	2 381	9 574
Cameroon	-	-	2 171	566	2 171	566	2 737
Chad	-	-	1 000	319	1 000	319	1 319
Democratic Republic of the Congo	1 503	245	8 224	908	9 727	1 153	10 880
Ethiopia	227	106	20 526	5 170	20 753	5 276	26 029
Gambia	-	-	1 503	530	1 503	530	2 033
Ghana	378	287	13 062	4 045	13 440	4 332	17 772
Guinea	-	-	4 292	1 399	4 292	1 399	5 691
Guinea-Bissau	-	-	3 863	645	3 863	645	4 508
Guyana	867	189	744	103	1 611	292	1 903
Honduras	-	-	910	515	910	515	1 425
Madagascar	-	-	6 146	1 682	6 146	1 682	7 828
Malawi	-	-	7 768	2 420	7 768	2 420	10 188
Mali	2 623	1 249	2 224	735	4 847	1 984	6 831
Mauritania	1 443	659	5 895	1 718	7 338	2 377	9 715
Mozambique	3 599	1 570	7 490	2 032	11 089	3 602	14 691
Nicaragua	6 263	142	192	136	6 455	278	6 733
Niger	86	124	9 034	2 246	9 120	2 370	11 490
Rwanda	-	-	8 892	2 376	8 892	2 376	11 268
Sao Tome and Principe	-	-	2 564	636	2 564	636	3 200
Senegal	381	159	1 397	567	1 778	726	2 504
Sierra Leone	-	-	8 829	1 585	8 829	1 585	10 414
Uganda	5 915	2 727	6 531	1 998	12 446	4 725	17 171
United Republic of Tanzania	2 217	1 241	9 274	2 710	11 491	3 951	15 442
Zambia	-	-	14 179	3 747	14 179	3 747	17 926
31 December 2004 SDR	34 274	11 998	154 932	41 161	189 206	53 159	242 365
							Less future interest on debt relief not accrued (41 161)
							Total cumulative cost of debt relief as at 31 December 2004 (SDR'000) 201 204
31 December 2004 USD	48 088	16 633	240 112	63 791	288 200	80 424	368 624
							Less future interest on debt relief not accrued (63 791)
							Total cumulative cost of debt relief as at 31 December 2004 (USD'000) 304 833
31 December 2003 SDR	19 594	8 205	172 205	50 891	191 799	59 096	250 895
							Less future interest on debt relief not accrued (50 891)
							Total cumulative cost of debt relief as at 31 December 2003 (SDR'000) 200 004
31 December 2003 USD	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 (USD'000) 293 227

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. Certain data have been aggregated in the balance sheet on the grounds of immateriality. Information is provided separately in the accounts for entities where this is deemed of interest to the readers of the accounts. Some of the prior year's information has been reclassified 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 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 (APOs) and programmatic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); 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, they are consolidated in IFAD's financial statements for reasons of completeness and clarity. All transactions and balances between these entities have been eliminated. Additional financial data for

funds is drawn up as and when requested to meet specific donor requirements.

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.

A contribution to 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 above.

Contributions to 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, 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, APOs 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.

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.

A statement of IFAD's balance sheet is prepared in SDR (Appendix B1), 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. In 2003 a statement of IFAD's total assets only was prepared in SDR. The statement of IFAD's total balance sheet has been provided in 2004 with comparative figures in order to present more information to enable readers to have a better understanding 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
2002	1.35952
2003	1.48644
2004	1.54979

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

USD '000

2004 2003

Opening balance at 1 January	690 797	203 032
Exchange movements for the year on:		
Cash and investments	84 093	172 699
Equities	7 586	13 601
Net receivables/payables	674	(344)
Loans and grants outstanding	155 937	299 100
Promissory notes and Members' receivables	23 166	50 484
Member States' contributions	(22 783)	(47 775)
Total movements in the year	<u>248 673</u>	<u>487 765</u>
Closing balance at 31 December	<u>939 470</u>	<u>690 797</u>

In 2004 the movement on this account excludes the gain/loss related directly to operations, which instead is included in Retained Earnings from Operations. The prior year's figures have been restated accordingly.

(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) Provisions have been established for overdue promissory notes as per section (f) above.
- (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

In 2004, the Fund has reclassified contributions income relating to the Debt Initiative for HIPC's within its own resources in order to reflect more transparently the underlying impact of this income, which is to offset directly the related liability borne by IFAD. Prior to 2004, this income was recognized directly in the accounts of the related Trust Fund. This change has had no impact on the overall consolidated results and balances and merely represents a reclassification between the two entities concerned. The prior year's figures have been restated accordingly. A summary of the impact of this reclassification is included in Note 6.

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	
	2004	2003
Balance at beginning of year	60 525	78 071
Net increase/(decrease) in allowance	53 535 ¹	(17 546)
Balance at end of year	114 060	60 525

¹ This includes the effect of revaluation of USD 4.5 million; accordingly the increase net of revaluation effects is some USD 48 991 000, as shown in Appendix A.

No specific provision has been made in the Financial Statements with regard to the possibility of debt service relief, or other initiatives, for 2005 and subsequent years for IFAD borrowers adversely affected by the tsunami disaster in late December 2004. Any subsequent change in this position will be duly reported.

(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 2 893 000 (2003 – USD 3 466 000). The corresponding figures relating to SPA were USD 52 000 (2003 – USD 50 000). The Member States concerned are shown below:

(i) Borrowers in Non-Accrual Status – IFAD

	USD '000		31 December 2004	
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2004	In Arrears Since
Central African Republic	32 989	3 176	310	May 2001
Cuba	12 876	12 876	493	Sep 1989
Democratic Republic of the Congo	26 513	6 412	255	Feb 1993
Guinea-Bissau	6 796	1 280	66	Nov 1995
Liberia	15 776	11 608	439	Nov 1995
Seychelles	546	252	42	Jan 2002
Sierra Leone	24 748	1 543	184	Mar 1998
Solomon Islands	3 437	398	33	Apr 2001
Somalia	26 809	11 186	257	Jan 1991
Togo	24 865	2 595	224	Sep 2000
Zimbabwe	<u>26 025</u>	<u>6 640</u>	<u>590</u>	Oct 2001
Total	<u>201 380</u>	<u>57 966</u>	<u>2 893</u>	

(ii) Borrowers in Non-Accrual Status – SPA

	USD '000		31 December 2004	
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2004	In Arrears Since
Guinea-Bissau	3 172	535	30	Dec 1995
Sierra Leone	<u>2 275</u>	<u>29</u>	<u>22</u>	Mar 1998
Total	<u>5 447</u>	<u>564</u>	<u>52</u>	

The income from loans reported in the statement of revenues and expenses for 2004 includes USD 712 000 (2003 – USD 2 162 000) 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	
	2004	2003
IFAD approved loans less cancellations and adjustment for movement in value of total SDR loans (Appendix F)		
USD '000		
2004 – USD 7 742 200		
2003 – USD 7 196 707		
Effective loans	7 015 660	6 534 723
Undisbursed balance of effective loans	(2 111 713)	(1 995 476)
Repayments	(1 074 194)	(1 009 979)
Interest/principle receivable	<u>18 425</u>	<u>18 608</u>
Loans outstanding	<u>3 848 178</u>	<u>3 547 876</u>

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

USD '000

2004 – USD 349 503

2003 – USD 338 669

Effective loans	349 503	338 669
Undisbursed balance of effective loans	(9 844)	(14 302)
Repayments	(35 535)	(27 541)
Interest/principle receivable	<u>906</u>	<u>-</u>
Loans outstanding	<u>305 030</u>	<u>296 826</u>

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

USD '000

2004 – USD 8 091 703

2003 – USD 7 535 376

Effective loans	7 365 163	6 873 392
Undisbursed balance of effective loans	(2 121 557)	(2 009 778)
Repayments	(1 109 729)	(1 037 520)
Interest/principle receivable	<u>19 331</u>	<u>18 608</u>
Loans outstanding	<u>4 153 208</u>	<u>3 844 702</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

During 2004 IFAD continued to adhere to the investment policy it adopted in December 2001, which allocates 5% in cash, 44% in government bonds, 23% in diversified fixed-interest instruments, 18% in inflation-indexed bonds and 10% in equities and has a credit floor of AA- for fixed-interest investments. In 2004, it was decided to disinvest from equities and to invest USD 400 million in high-quality bond instruments to be held until maturity. The decision will be implemented during the first quarter of 2005.

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 2004, funds under external management amounted to USD 2 395.4 million (2003 – USD 2 142.6 million), representing some 88.7% (2003 – 85.8%) 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.

(d) Derivative Instruments

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

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

	31 December	
	2004	2003
Number of contracts open:		
Buy	967	1 362
Sell	950	713
Net unrealized gains of open contracts (USD '000)	15	881
Maturity range of open contracts	31 to 437 days	67 to 354 days

The underlying instruments of future contracts open at 31 December 2004 were government bonds and currencies.

(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	
	2004	2003
Number of contracts open:		
Buy	-	-
Sell	225	683
Market value of open contracts gain/(loss) (USD '000)	(59)	(350)
Net unrealized gains/(losses) of open contracts (USD '000)	37	157
Maturity range of open options	49 to 77 days	51 to 348 days

The underlying instruments of option contracts open at 31 December 2004 were government bonds.

(iii) Covered Forwards: The unrealized market-value loss on forward contracts at 31 December 2004 amounted to USD 898 000 (2003 – gain of USD 191 000). The maturity of forward contracts at 31 December 2004 ranged from 6 to 76 days (31 December 2003 – 16 to 76 days).

The underlying instruments of forward contracts open at 31 December 2004 were currencies.

(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 2004 amounted to USD 115 934 000 (2003 – gross income of USD 114 500 000). This figure is gross of direct charges against investment income of USD 6 633 000 (2003 – USD 5 590 000), which are included in expenses.

	USD '000	
	2004	2003
Interest from fixed-income investments	74 854	67 515
Dividend income from equities	6 204	4 709
Net income from futures and options	4 257	2 166
Realized capital income from fixed-income securities	6 755	41 532
Realized capital gain/loss from equities	8 932	(1 631)
Unrealized gain/(loss) from fixed-income securities	1 666	(48 374)
Unrealized gain from equities	9 850	44 507
Income from securities lending and commission recapture	738	430
Interest income from banks and non-convertible currencies	<u>2 678</u>	<u>3 646</u>
Total	<u>115 934</u>	<u>114 500</u>

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

	USD '000	
	2004	2003
IFAD	115 239	113 477
ASMCS Trust Fund	360	256
Debt Initiative for HIPCs Trust Fund	810	320
BSF.JP	343	297
Other supplementary funds	628	447
Less: income deferred /reclassified	(920)	(297)
Less: ASMCS accounting gain	<u>(526)</u>	<u>-</u>
Total	<u>115 934</u>	<u>114 500</u>

The average rate of return on consolidated cash and investments in 2004 was positive 4.6% gross of expenses and positive 4.4% net of expenses (2003 – positive 4.9% gross of expenses, positive 4.7% net of expenses). The average rate of return on IFAD cash and investments in 2004 was 4.7% positive gross of expenses and 4.5% positive net of expenses (2003 – 5.1% positive gross of expenses, 4.9% 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. An analysis is given below:

	USD '000	
	2004	2003
Service charges	120	111
Host Government income	7 876	5 357
Income from other sources	<u>587</u>	<u>144</u>
Total	<u>8 583</u>	<u>5 612</u>

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, APOs 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.

Individual donors provided human resources (APOs) to assist in IFAD's activities. The benefits received from donors are recorded as revenues and the related costs included in staff costs.

Contributions received for the Debt Initiative for HIPC's Trust Fund and BSF.JP are recognized as income in the statement of revenues and expenses and matched against related expenditures. This is consistent with the accounting principle adopted with regard to IFAD's combined supplementary funds and serves to present the underlying nature of these balances more clearly. A list of such contributions can be found in Appendix E1.

As described in Note 2(i), a reclassification took place in 2004 so as to illustrate more transparently and consistently the underlying impact of the contributions received for the Debt Initiative for HIPC's, which is to directly offset the related cost borne by IFAD. The prior year's figures have been restated accordingly.

A summary of the net impact of this reclassification on IFAD only is given below (thousands of USD):

	Prior to change	Reclassification	Restated balance
2003			
Balance Sheet			
Other receivables	89 666	52 231	141 897
Payables and liabilities	(326 405)	19 410	(306 995)
Retained earnings carried forward	1 269 107	37 129	1 306 236
Income statement			
Contribution Income	-	7 002	7 002
HIPC cost	27 000	27 000	-
Net exchange rate movements	484 921	510	485 431
Resources			
ACA covered	367 049	71 641	438 690

As shown in Appendix D, the 2003 resources figures have not been restated as this statement is used for operational purposes.

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	2004	2003
Professional	144.0	134.0
General Service	<u>172.5</u>	<u>181.5</u>
Total	316.5	315.5

The number of staff on the payroll of the Fund and other consolidated entities by principal budget source as at 31 December 2004 was as follows:

	Professional	General Service	Total
IFAD admin. budget	169	238	407
IFAD PDFF	10	22	32
IFAD other sources	5	21	26
BSF.JP	1	4	5
APO	18	0	18
Programmatic funds	13	2	15
Total 2004	216	287	503
Total 2003	192	272	464

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 2003. This valuation revealed an actuarial surplus, amounting to 1.14% 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 2004 amounted to USD 6 250 000 (2003 – USD 5 460 000). "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 2003*, IAS 19, p.4 (London, 2003).) 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 principally on headcount. 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 2003, the results of which are included in IFAD's 2004 accounts since they were not available at the time of preparation of the 2003 accounts. The methodology used was the projected unit-credit-cost method with service prorate. The principal actuarial assumptions used were as follows: discount rate, 5.5%; expected salary increases, 2.5%; medical cost increases, 4.5%; and inflation, 2.0%. The results determined IFAD's share of the unfunded liability as at 31 December 2003 to be some USD 15.0 million.

This results in an accounting gain for IFAD of some USD 12.3 million as, at 31 December 2001, IFAD had fully funded the allocated liability of USD 23.3 million in addition to the annual current service costs and related investment income thereon. As permitted under the related accounting standard, IFAD has fully recorded this gain in its 2004 financial statements. The 2004 and 2003 financial statements include a provision and related assets constituted as follows as at 31 December:

	USD million	
	2004	2003
Past service costs		
Total provision brought forward	23.3	19.1
Total charge for unfunded deficit	-	4.2
Recording of accounting gain	(8.3)	
Provision carried forward	<u>15.0</u>	<u>23.3</u>
Current service costs		
Provision brought forward	4.0	3.3
Charge in year	1.0	0.7
Recording of accounting gain	(3.5)	-
Reclassification of accruals	(0.5)	-
Cumulative provision	<u>1.0</u>	<u>4.0</u>
Total costs (released)/charged in year	<u>(12.3)</u>	<u>4.9</u>
Interest earned		
Interest brought forward	0.5	0.2
Recording of accounting gain	(0.5)	-
Interest earned on balances	<u>0.4</u>	<u>0.3</u>
Cumulative interest earned	<u>0.4</u>	<u>0.5</u>
Total provision at 31 December	<u>16.4</u>	<u>27.8</u>

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2004, such costs included within staff salaries and benefits in the financial statements amounted to USD 993 000 including some USD 136 000 relating to the prior year (2003 – USD 721 000).

It is intended that actuarial valuations will continue to be carried out at least every two years.

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	
	2004	2003
Investment management fees	(5 717)	(5 087)
Net other charges	<u>(267)</u>	<u>(190)</u>
Total	<u>(5 984)</u>	<u>(5 277)</u>

Note 9: Operating Expenses

An analysis of IFAD operating expenses by principal funding source is shown in Appendix A1.

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. 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.

The costs incurred relating to PDFF, and SCP as well, are classified in the accounts in accordance with the underlying nature of the expense.

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	
	2004	2003
ILC	1 400	500
GM	<u>1 250</u>	<u>-</u>
Total	<u>2 650</u>	<u>500</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 1998-2004. Details of funding from external donors on a cumulative basis are found in Appendix E1.

(b) Impact of the Debt Initiative for HIPCs

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 HIPCs, 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, the Lao People's Democratic Republic, Liberia, Somalia, the Sudan and Togo. Debt relief for these countries at the end of 2003 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 2005. At the time of preparation of the 2004 financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was USD 156 355 000.

Gross investment income amounted to USD 810 000 (2003 – USD 320 000) from Debt Initiative trust fund balances.

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

	USD '000		
	2004	Movement	2003
IFAD contributions 1998-2004	59 670	-	59 670
Shortfall between debt relief approved and funds available (Appendix A)	142 037	(30 167)	172 204
Subtotal (Appendix A1)			
Cumulative net exchange-rate movements	40 556	9 847	30 703
Total IFAD cumulative cost	242 407	(20 321)	262 577
Total contributions from external sources (Appendix E1)	59 997	31 118	28 879
Cumulative net investment income	2 579	808	1 771
Total (Appendix G)	304 833	11 606	293 227

(c) Accumulated Allowance for the Debt Initiative for HIPCs

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 HIPCs 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 for HIPCs 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

	2004	2003
Balance at beginning of year	255 972	236 056
Repayments of principal	(21 853)	(9 375)
Change in provision	(4 019)	10 135
Less exchange-rate movements	<u>10 012</u>	<u>19 156</u>
Balance at end of year	<u>240 112</u>	<u>255 972</u>

Note 12: Cash and Investment Balances

(a) Analysis of Balances

USD '000

	2004	2003
Unrestricted cash	172 346	269 965
Cash subject to restriction (Note 12(b))	<u>332</u>	<u>394</u>
Total	<u>172 678</u>	<u>270 359</u>
Unrestricted investments	2 688 674	2 424 410
Investments subject to restriction (Note 12(b))	<u>386</u>	<u>400</u>
Total	<u>2 689 060</u>	<u>2 424 810</u>

(b) Cash and Investments Subject to Restriction

(i) Currencies Not Freely Convertible: Cash and investments held by the Fund at 31 December 2004 in currencies not freely convertible amounted to USD 332 000 (2003 - USD 394 000) and USD 386 000 (2003 – USD 400 000), respectively.

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.

(c) Composition of the Investment Portfolio by Instrument

At 31 December 2004, cash and investments at market value amounted to USD 2 698 821 000, excluding restricted and non-convertible currencies (2003 – USD 2 495 963 000), and comprised the following instruments:

	USD '000	
	2004	2003
Cash	172 346	269 965
Fixed-income instruments	2 102 698	1 839 854
Unrealized market-value gain/(loss) on forward contracts	(898)	191
Time deposits and other obligations of banks	309 681	327 473
Equities	278 475	253 306
Futures	(1 224)	3 936
Options	(59)	(350)
Total cash and investments	2 861 020	2 694 375
Receivables for investments sold	40 176	31 433
Payables for investments purchased	<u>(202 374)</u>	<u>(229 845)</u>
Total	<u>2 698 821</u>	<u>2 495 963</u>

(d) Composition of the Investment Portfolio by Currency

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

	USD '000	
	2004	2003
Euro	752 169	694 914
Japanese yen	387 379	360 775
Pound sterling	320 708	279 472
United States dollar	1 175 746	1 061 351
Others	<u>62 819</u>	<u>99 451</u>
Total	<u>2 698 821</u>	<u>2 495 963</u>

(e) Composition of the Investment Portfolio by Maturity

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

	USD '000	
	2004	2003
Due in one year or less	580 880	529 910
Due after one year through five years	1 204 964	1 040 526
Due from five to ten years	230 875	268 688
Due after ten years	403 947	403 840
No fixed maturity (equities)	<u>278 155</u>	<u>252 999</u>
Total	<u>2 698 821</u>	<u>2 495 963</u>

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2004 was 80 months (2003 – 90 months).

Note 13: Contributors' Promissory Notes and Receivables

	USD '000	
	2004	2003
Promissory notes to be encashed		
Replenishment contributions	352 804	272 461
Complementary contributions	<u>31 522</u>	<u>29 252</u>
Total	<u>384 326</u>	<u>301 713</u>
Contributions receivable		
Replenishment contributions	351 569	371 260
Complementary contributions	-	1 502
Supplementary contributions	<u>7 857</u>	<u>19 775</u>
Total	<u>359 426</u>	<u>392 536</u>

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

These contributions have been fully paid except as detailed in the matrix below:

Contributions Not Paid/encashed at 31 December 2004

Donor	Replenishment	USD '000
		Amount
Australia ¹	Fifth	5 262
Brazil ¹	Fifth	7 916
Comoros ³	Initial	10
France ²	Fifth	25 714
Gabon ³	Second	371
Germany ¹	Fifth	32 745
Iran (Islamic Republic of) ³	Initial	83 167
Iran (Islamic Republic of) ³	Third	2 400
Iraq ³	Second	2 000
Jordan ¹	Fourth	83
Kenya ³	Fourth	821
Maldives ¹	Fourth	10
Morocco ¹	Fifth	250
Nigeria ¹	Fourth	1 275
Nigeria ¹	Fifth	3 725
Pakistan	Fifth	2 000
Qatar ³	Third	1 000
Sao Tome and Principe ³	Third	10
Switzerland ¹	Fourth	395
Switzerland ¹	Fifth	8 249
Turkey ³	Fifth	3 361
United Arab Emirates	Fifth	390
United Kingdom of Great Britain and Northern Ireland ¹	Fourth	6 333
United Kingdom of Great Britain and Northern Ireland ^{1,3}	Fifth	25 786
United States of		

America ^{2,3}	Fourth	11
United States of America ^{2,3}	Fifth	94
Venezuela (Bolivarian Republic of) ¹	Fifth	2 300

¹ Cases for which Members and IFAD have agreed to special encashment schedules.

² Qualified contribution.

³ Promissory note not deposited as at 31 December 2004.

(b) Sixth Replenishment

Details of payments made for the Sixth Replenishment are shown in Appendix E. The Sixth Replenishment came into effect on 17 December 2003.

(c) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First and Second Phases 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	
	2004	2003
Balance at beginning of the year	180 671	186 755
Total movements	<u>(4 379)</u>	<u>(6 084)</u>
Balance at end of year	<u>176 292</u>	<u>180 671</u>
Analysed as:		
Promissory notes of contributors (a)	83 152	88 176
Amounts receivable from contributors (b)	<u>93 140</u>	<u>92 495</u>
Total	<u>176 292</u>	<u>180 671</u>

(a) Provisions against Promissory Notes

As at 31 December 2004, 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% and the Sixth Replenishment has been drawn down to the extent of 30% (31 December 2003 – 100% up to the Fifth Replenishment).

As at 31 December 2004 and 2003, 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.

IFAD	USD '000	
	2004	2003
(i) Initial Contributions		
Iran (Islamic Republic of)	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	-	<u>508</u>
	31 099	31 607
(iii) Second Replenishment		
Mauritania	2	2
Qatar	<u>2 254</u>	<u>5 000</u>
	2 256	5 002

(iv) Third Replenishment

Democratic People's Republic of Korea	600	600
Libyan Arab Jamahiriya	6 087	7 857
Mauritania	<u>25</u>	<u>25</u>
	<u>6 712</u>	<u>8 482</u>
Total IFAD	<u>83 142</u>	<u>88 166</u>

SPA

First Phase		
Mauritania	<u>10</u>	<u>10</u>
Total SPA	<u>10</u>	<u>10</u>
GRAND TOTAL	<u>83 152</u>	<u>88 176</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	
	2004	2003
(i) Initial Contributions		
Comoros	10	9
Iran (Islamic Republic of)	<u>83 167</u>	<u>83 167</u>
	83 177	83 176
(ii) Second Replenishment		
Gabon	371	371
Iraq	<u>2 000</u>	<u>2 000</u>
	2 371	2 371
(iii) Third Replenishment		
Iran (Islamic Republic of)	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
Kenya	<u>821</u>	<u>877</u>
	821	1 277
(v) Fifth Replenishment		
Turkey	<u>3 361</u>	<u>2 261</u>
Total	<u>93 140</u>	<u>92 495</u>

Note 15: Other Receivables

	USD'000	
	2004	2003
Receivables for investments sold	40 176	31 433
Miscellaneous	<u>17 330</u>	<u>18 773</u>
Total	<u>57 507</u>	<u>50 206</u>

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

Note 16: Payables and Liabilities

	USD'000	
	2004	2003
Payables for investments purchased	(202 375)	(229 845)
ASMCS liability	(15 900)	(27 373)
Other payables and accrued liabilities	<u>(33 374)</u>	<u>(43 138)</u>
Total	<u>(251 649)</u>	<u>(300 356)</u>

Of the total above, some USD 42.9 million (2003 – USD 56.8 million) is estimated to be payable in more than one year from the balance-sheet date.

Note 17: Deferred Revenues

	USD '000	
	2004	2003
Deferred contributions	(35 751)	(50 107)
Deferred income	<u>(4 674)</u>	<u>(4 483)</u>
Total	<u>(40 425)</u>	<u>(54 590)</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 of 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 1 million (currently USD 1.4 million: 31 December 2003: USD 1.2 million) 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, of 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 2005 and endorsement by the Executive Board in April 2005. The 2004 financial statements will be submitted to the Governing Council for formal approval at its next session in February 2006. The 2003 financial statements were approved by the Governing Council at its Twenty-Eighth Session in February 2005.

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 year ended 31 December 2004. 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 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 21 March 2005

PricewaterhouseCoopers SpA



Oliver Galea
(Partner)