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Enabling the rural poor
to overcome poverty

Audited financial statements of IFAD as at 31 December 2005

Governing Council — Thirtieth Session
Rome, 14-15 February 2007

For: **Approval**

Note to Governors

This document is submitted for approval by the Governing Council.

To make the best use of time available at Governing Council sessions, Governors are invited to contact the following focal point with any technical questions about this document before the session:

Carlo M. Borghini

Controller

telephone: +39 06 5459 2791

e-mail: c.borghini@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer

telephone: +39 06 5459 2374

e-mail: d.mcgrenra@ifad.org

Recommendation for approval

The Governing Council is invited to approve the recommendation as set forth in paragraph 5.

Audited financial statements of IFAD as at 31 December 2005

1. At its eighty-seventh session in April 2006, the Executive Board reviewed the audited financial statements of IFAD for 2005, appendices 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 2005 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 the After-Service Medical Coverage Scheme).
 - (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 expressed in special drawing right (SDR) 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) In 2005, in line with a change in the underlying accounting standard (IAS 39 [revised]), IFAD implemented fair value accounting for its loan portfolio and certain contributions receivables, undisbursed grants and deferred revenues. Management continues to report these assets and liabilities at nominal value for operational purposes as this is considered as more relevant for most users of IFAD's accounts.
 - (d) Income from interest and service charges on loans amounted to US\$45.3 million in 2005, compared with US\$48.0 million in 2004. The Fund has excluded interest and service charges on loans with arrears in excess of 180 days. The amount in 2005 was US\$3.0 million, compared with US\$2.9 million in 2004.
 - (e) Gross income from cash and investments for IFAD amounted to US\$71.7 million in 2005, compared with US\$115.2 million for 2004. Direct charges against investment income amounted to US\$3.5 million in 2005, compared with US\$6.6 million in 2004.
 - (f) In 2005, costs charged to IFAD's administrative budgets amounted to US\$61.7 million (2004: US\$57.0 million), with a Programme Development Financing Facility of US\$29.0 million (2004: US\$27.3 million), Strategic Change Programme of US\$0.6 million (2004: US\$4.4 million), direct and other sources, principally relating to costs reimbursed by the Host Government, of US\$12.1 million (2004: US\$8.8 million).
 - (g) IFAD has participated in the Debt Initiative for Heavily Indebted Poor Countries since 1997. In 2005, there was a charge (prior to currency

effects) of US\$72.6 million (2004: US\$1.6 million). This charge represents the shortfall between the total cumulative cost of debt relief (including future interest) of US\$356.5 million as at 31 December 2005 and the cumulative funds currently available after the effects of revaluation. As shown in appendix G, the debt relief provided to 31 December 2005 was about US\$67.5 million (principal) plus US\$24.5 million (interest).

- (h) The decrease in IFAD's net assets from 2004 to 2005 – from US\$6.9 billion to US\$5.3 billion – is due principally to the fair value adjustment of US\$1.1 billion as well as the net negative effect of exchange rate movements in the year of some US\$397.7 million (2004: positive effect of US\$242.9 million) and also to the excess of expenses over revenues of some US\$53.7 million (2004: excess of revenues over expenses of US\$43.2 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 dollar against the SDR by some 8.0 per cent based on year-end rates.
3. The financial statements for 2005 were reviewed in detail at the ninety-second meeting of the Audit Committee, held on 4 April 2006. The Chair of the Committee made a formal report at the Executive Board's eighty-seventh session in April 2006. In the light of the Audit Committee's report, the Executive Board recommended the adoption of these statements by the Governing Council.
 4. The external auditor's opinion concludes that "the financial statements give a true and fair view of the consolidated financial position of the International Fund for Agricultural Development at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards".

Recommendation

5. 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 2005 and the results of its operations for the year ended on that date, as contained in appendices 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 2005 and 31 December 2004

- 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**
 - Appendix B Consolidated and IFAD-Only Balance Sheet**
 - Appendix B1 IFAD-Only Balance Sheet at nominal value in United States Dollar and Retranslated in SDR**
 - Appendix C Consolidated Cash-Flow Statement**
 - Appendix D Statement of IFAD-Only Resources Available for Commitment**
 - Appendix E Statement of Member States' Contributions and Special Contributions**
 - Appendix E1 Statement of Complementary and Supplementary Contributions**
 - Appendix F Statement of Loans**
 - Appendix F1 Statement of Grants at nominal value – IFAD only**
 - Appendix G Summary of the Debt Initiative for Heavily Indebted Poor Countries**
 - Appendix H Notes to the Consolidated Financial Statements**
- Report of the External Auditor**

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

Appendix A**Consolidated and IFAD-Only Statement of Revenues and Expenses**

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Consolidated ¹		IFAD Only	
	2005	2004	2005	2004
Revenues				
Income from loans (Note 3)	45 321	48 027	45 321	48 027
Income from cash and investments (Note 4)	74 653	115 934	71 693	115 239
Income from other sources (Note 5)	9 792	8 583	13 539	9 632
Contributions income (Note 6)	20 708	49 636	2 931	31 177
Total Revenues	150 474	222 180	133 484	204 075
Operating Expenses				
Staff salaries and benefits (Note 7)	(54 323)	(48 592)	(49 961)	(45 149)
Office and general expenses	(23 091)	(20 616)	(21 819)	(20 097)
Consultants and other non-staff costs	(24 724)	(29 219)	(21 939)	(24 236)
Cooperating institutions	(10 339)	(9 197)	(10 064)	(8 672)
Direct bank and investment costs (Note 8)	(3 107)	(5 984)	(3 060)	(5 928)
Subtotal	(115 584)	(113 608)	(106 843)	(104 082)
Adjustment for changes in fair value (Note 2(f))	71 521	-	74 040	-
Allowance for loan impairment losses (Note 3(b))	(35 872)	(48 991)	(35 872)	(48 991)
Debt Initiative for HIPCs expenses (Note 11)	(72 592)	(1 590)	(72 592)	(1 590)
Grant expenses (Note 10)	(42 367)	(27 179)	(34 721)	(18 480)
Provision for after-service medical benefits (Note 7(c))	(11 157)	12 300	(11 157)	12 300
Total Operating Expenses	(206 051)	(179 068)	(187 145)	(160 843)
Total Revenues Less Operating Expenses	(55 577)	43 112	(53 661)	43 232
Total Foreign Exchange Rate Movements (Appendix A2)	(404 015)	246 729	(397 675)	242 876
Transfer to Retained Earnings	(459 592)	289 841	(451 336)	286 108

Appendix A1**IFAD-Only Statement of Operating Expenses**

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

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

	Administrative Budgets ²	Programme Development Financing Facility (PDFF)	Strategic Change Programme (SCP)	Direct Charges ³	Other Sources ⁴	Total
Staff salaries and benefits	(44 722)	(2 758)		(62)	(2 419)	(49 961)
Office and general expenses	(9 889)	(2 832)		(220)	(8 878)	(21 819)
Consultants and other non-staff costs	(7 095)	(13 424)	(611)	(121)	(688)	(21 939)
Cooperating institutions		(9 990)			(74)	(10 064)
Direct bank and investment costs				(3 060)		(3 060)
Total 2005	(61 706)	(29 004)	(611)	(3 463)	(12 059)	(106 843)
Total 2004	(57 002)	(27 254)	(4 434)	(6 576)	(8 816)	(104 082)

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
- IFAD's Debt Initiative for Heavily Indebted Poor Countries (HIPCs) Trust Fund
- IFAD's After-Service Medical Coverage Scheme (ASMCS) Trust Fund

See Note 2(a) for further information.

² These refer to IFAD and its Office of Evaluation and include one-time costs and external evaluation (2004 only)

³ Direct charges against investment income

⁴ Includes positions funded from service charges from other funds, Italian Government reimbursable expenditures and field presence (2005 only)

Appendix A2**Consolidated Statement of Total Recognized Gains and Losses**

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects ¹	Total Retained Earnings ²
Opening Balance as at 1 January 2004	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))	<u>-</u>	<u>248 673</u>	<u>248 673</u>
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
Fair value adjustment (Note 2(f))	(1 142 808)		(1 142 808)
Retained Earnings as at 1 January 2005	69 615	939 470	1 009 085
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(55 577)	-	(55 577)
Net Operating Exchange Gains	1 205	-	1 205
Net Foreign Exchange Rate Movements (Note 2(c))	<u>-</u>	<u>(405 220)</u>	<u>(405 220)</u>
Total Foreign Exchange Movements	1 205	(405 220)	(404 015)
Retained Earnings as at 31 December 2005	15 243	534 250	549 493

IFAD-Only Statement of Total Recognized Gains and Losses

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects ¹	Total Retained Earnings ²
Opening Balance as at 1 January 2004	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	<u>-</u>	<u>243 236</u>	<u>243 236</u>
Total Foreign Exchange Movements	(360)	243 236	242 876
Retained Earnings as at 31 December 2004	1 211 810	928 214	2 140 024
Fair value adjustment (Note 2(f))	(1 147 743)		(1 147 743)
Retained Earnings as at 1 January 2005	64 067	928 214	992 281
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(53 661)	-	(53 661)
Net Operating Exchange Gains	171	-	171
Net Foreign Exchange Rate Movements	<u>-</u>	<u>(397 846)</u>	<u>(397 846)</u>
Total Foreign Exchange Movements	171	(397 846)	(397 675)
Retained Earnings as at 31 December 2005	10 577	530 368	540 945

¹ See note 2 (c)² Fully committed

Appendix B**Consolidated and IFAD-Only Balance Sheet¹**

As at 31 December 2005 and 2004 (expressed in thousands of United States dollars)

Assets	Consolidated		IFAD-Only	
	2005	2004	2005	2004
Cash on hand and in banks (Note 12)	249 831	172 678	235 211	151 160
Investments (Note 12)	2 384 770	2 689 060	2 269 975	2 571 013
Contributors' promissory notes (Note 13)	307 596	384 326	286 204	352 804
Contributions receivable (Note 13)	230 430	359 426	204 656	351 569
Less: provisions (Note 14)	<u>(169 359)</u>	<u>(176 292)</u>	<u>(169 359)</u>	<u>(176 292)</u>
	368 667	567 460	321 501	528 081
Other receivables (Note 15)	107 464	57 507	189 920	154 201
Loans outstanding (Note 3 and Appendix F)	2 830 282	4 153 208	2 830 282	4 153 208
Less: accumulated allowance for loan impairment losses (Note 3(b))	(51 280)	(114 060)	(51 280)	(114 060)
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 11(c))	<u>(170 233)</u>	<u>(240 112)</u>	<u>(170 233)</u>	<u>(240 112)</u>
Net loans outstanding	2 608 769	3 799 036	2 608 769	3 799 036
Total Assets	5 719 501	7 285 741	5 625 376	7 203 491
Liabilities, Contributions, Retained Earnings				
	Consolidated	2004	IFAD Only	2004
	2005		2005	
Payables and liabilities (Note 16)	319 838	251 649	325 957	261 183
Undisbursed grants	71 065	78 299	42 210	36 048
Deferred revenues (Note 17)	<u>65 981</u>	<u>40 424</u>	<u>3 140</u>	<u>2 760</u>
	456 884	370 372	371 307	299 991
Contributions (Note 18)				
Regular	4 767 135	4 824 420	4 767 135	4 824 420
Provisions	(169 359)	(176 292)	(169 359)	(176 292)
Special	<u>20 348</u>	<u>20 348</u>	<u>20 348</u>	<u>20 348</u>
Total Contributions	4 618 124	4 668 476	4 618 124	4 668 476
Fully committed retained earnings (Note 2(a))	549 493	2 151 893	540 945	2 140 024
General Reserve (Note 19)	95 000	95 000	95 000	95 000
Net assets	5 262 617	6 915 369	5 254 069	6 903 502
Total Liabilities, Contributions, Retained Earnings	5 719 501	7 285 741	5 625 376	7 203 491

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
- IFAD's Debt Initiative for HIPCs Trust Fund
- IFAD's ASMCS Trust Fund

See Note 2(a) for further information

Certain balances in 2005 such as loans outstanding contributors' promissory notes, contributions receivable, undisbursed grants and deferred revenues are stated at fair value and amortised cost, whilst those in 2004 are stated at nominal value, see Note 2(f) for further details

Appendix B1**IFAD-Only Balance Sheet at nominal value in United States Dollar and Retranslated in SDR¹**

As at 31 December 2005 and 2004 (expressed in thousands of United States Dollars and special drawing rights)

Assets	USD		SDR	
	2005	2004	2005	2004
Cash on hand and in banks	235 211	151 160	164 906	97 536
Investments	2 269 975	2 571 013	1 591 479	1 658 946
Contributors' promissory notes	298 614	352 804	209 358	227 647
Contributions receivable	213 520	351 569	149 699	226 849
Less: provisions	<u>(169 359)</u>	<u>(176 292)</u>	<u>(118 738)</u>	<u>(113 752)</u>
	342 775	528 081	240 319	340 744
Other receivables	189 920	154 201	133 153	99 498
Loans outstanding	4 003 639	4 153 208	2 806 952	2 679 857
Less: accumulated allowance for loan impairment losses	<u>(140 634)</u>	<u>(114 060)</u>	<u>(98 598)</u>	<u>(73 597)</u>
Less: accumulated allowance for the Debt Initiative for HIPC's	<u>(264 527)</u>	<u>(240 112)</u>	<u>(185 460)</u>	<u>(154 932)</u>
Net loans outstanding	3 598 478	3 799 036	2 522 894	2 451 328
Total Assets	6 636 359	7 203 491	4 652 751	4 648 052

Liabilities, Contributions, Retained Earnings	USD		SDR	
	2005	2004	2005	2004
Payables and liabilities	325 957	261 183	228 528	168 527
Undisbursed grants	48 386	36 048	33 923	23 212
Deferred revenues	<u>3 140</u>	<u>2 760</u>	<u>2 202</u>	<u>1 781</u>
	377 483	299 991	264 653	193 520
Contributions				
Regular	4 788 408	4 824 420	4 081 010	3 615 383
Provisions	<u>(169 359)</u>	<u>(176 292)</u>	<u>(118 738)</u>	<u>(113 752)</u>
Special	<u>20 348</u>	<u>20 348</u>	<u>15 219</u>	<u>15 219</u>
Total Contributions	4 639 397	4 668 476	3 977 491	3 516 850
Fully committed retained earnings	1 524 479	2 140 024	344 002	876 383
General Reserve	95 000	95 000	66 605	61 299
Net assets	6 258 876	6 903 502	4 388 098	4 454 532
Total Liabilities, Contributions, Retained Earnings	6 636 359	7 203 491	4 652 751	4 648 052

¹ Presented for information purposes only, as stated in Notes 2(a) and 2(c).

Appendix C

Consolidated Cash-Flow Statement¹

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	2005	2004
Cash flows from investing activities		
Loan disbursements	(343 469)	(313 660)
Loan principal repayments	137 766	149 829
Net sale of equities	281 671	1 367
Net purchase of held to maturity (HTM) investments	(370 175)	
Net cash flows invested in development activities	(294 207)	(162 464)
Cash flows from financing activities		
Payments for replenishment contributions	156 226	209 317
Net cash flows provided by financing activities	156 226	209 317
Cash flows from operating activities		
Interest received from loans	37 785	44 291
Income received from HTM investments	10 158	
Dividend income from equities	1 074	6 191
Income from non equities	54 955	55 588
Receipts for non-replenishment contributions	71 530	71 068
Miscellaneous payments	6 439	10 677
Payments for operating expenses	(106 601)	(120 848)
Debt relief paid	(27 283)	(27 460)
Grant disbursements	(42 659)	(28 997)
Net cash flows provided/(used) by operating activities	5 398	(10 510)
Effects of exchange-rate movements on cash and investments, excluding equities and HTM investments	(206 964)	84 112
Net (decrease)/increase in unrestricted cash and cash equivalents	(339 964)	141 475
Unrestricted cash and cash equivalents at beginning of year	2 582 544	2 441 069
Unrestricted cash and cash equivalents at end of year	2 242 997	2 582 544
COMPOSED OF:		
Unrestricted cash	249 762	172 346
Unrestricted investments excluding equities and HTM investments	1 993 235	2 410 198
Cash and cash equivalents at end of period	2 242 997	2 582 544
Reconciliation of net income to net cash used by operating activities:		
Excess of revenue over operating expenses before net foreign exchange rate movements	(55 577)	43 112
Adjustments to reconcile net income to net cash provided by operations:		
- Fair value adjustment	(71 521)	
- (increase)/decrease in accrued income on loans and investments	(47 715)	(8 520)
- (increase)/decrease in other receivables	28 960	(4 020)
- increase/(decrease) in other payables	35 223	(35 437)
- gain on equities	(4 506)	(18 781)
- interest on restricted cash		57
- grants approved but not yet disbursed	(292)	(3 917)
- exchange loss on operations	1 205	(265)
- non-cash expenses relating to the Debt Initiative for HIPCs	72 592	1 590
- after-service medical provision	11 157	(12 300)
- loan impairment provision movement	35 872	48 991
Net cash flows provided/(used) by operating activities	5 398	(10 510)

¹ See Appendix H Note 2(d)

Appendix D**Statement of IFAD-Only Resources Available for Commitment¹**

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

		2005	2004
Assets in freely-convertible currencies	Cash	235 141	150 828
	Investments	2 269 319	2 570 627
	Promissory notes	297 215	351 405
	Other receivables	189 920	154 201
		2 991 595	3 227 061
Less	Payables and liabilities	325 957	261 183
	Programme Development Financing Facility (PDFF) carry forward	5 676	7 332
	General Reserve	95 000	95 000
	Undisbursed effective loans	1 939 333	2 121 557
	Approved loans signed but not yet effective	308 958	326 851
	Undisbursed grants	48 386	36 048
		2 296 677	2 484 456
	Provision for promissory notes	80 898	83 152
		2 804 208	2 931 123
Resources Available for Commitment		187 387	295 938
Less	Loans not yet signed	449 722	399 690
	Grants not yet signed	33 687	33 101
Net Resources pre-ACA (Note 1 (h) and (v))		(296 022)	(136 853)
ACA carried forward at 1 January		136 853	331 131
ACA approved at Executive Board sessions during the year		186 600	
		323 453	331 131
Less	ACA covered in year	(27 431)	(194 278)
ACA carried forward		296 022	136 853
Net Resources Available for Commitment		-	-

¹ Presented for informational purposes only, as stated in Notes 2(a), 2(e), 13 and 14(a).

Appendix E

Statement of Member States' Contributions and Special Contributions
As at 31 December 2005 and 2004

	Initial, First, Second, Third, Fourth and Fifth Replenishments		Sixth Replenishment					
	USD Equivalent	Currency	Instruments Deposited		Payments – USD Equivalent			
			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	650 000	350 000		1 000 000
Angola	160 000	USD	100 000	100 000	100 000			100 000
Argentina ¹	7 900 016							
Armenia		USD	7 466	7 466	7 466			7 466
Australia ¹	37 108 099							
Austria	33 140 744	EUR	7 831 044	9 418 694	6 462 819	2 955 875		9 418 694
Azerbaijan	5 000	USD	95 000	95 000	95 000			95 000
Bangladesh	3 156 030	USD	600 000	600 000	390 000	210 000		600 000
Barbados	10 000							
Belgium	61 347 508	EUR	9 810 000	11 874 986	7 970 675	47 182		8 017 857
Belize	205 333							
Benin	100 000	USD	96 850	96 850	96 850			96 850
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 ¹	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	58 449			58 449
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	34 927 148	22 485 368	12 441 781		34 927 148
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	3 150 000	7 350 000		10 500 000
Colombia	370 000	USD	100 000	100 000	100 000			100 000
Comoros ²	31 573							
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 ²	796 734							
Democratic Republic of the Congo	1 030 000	USD	150 000	150 000	150 000			150 000
Denmark	85 471 745	DKK	170 000 000	27 489 600	18 080 179	6 246 590		24 326 769
Djibouti	6 000							
Dominica	54 987							

Cont'd

¹ See Appendix H, Note 13
² See Appendix H, Note 14

	Initial, First, Second, Third, Fourth and Fifth Replenishments		Sixth Replenishment				
	USD Equivalent	Currency	Instruments Deposited		Payments – USD Equivalent		Total
			Amount	USD Equivalent	Cash	Promissory Notes	
Dominican Republic	83 551						
Ecuador	790 994						
Egypt	11 408 882	USD	3 000 000	3 000 000	1 950 000	1 050 000	3 000 000
El Salvador	100 000						
Eritrea	10 000	USD	10 000	10 000	10 000		10 000
Ethiopia	160 869	USD	30 000	30 000	30 000		30 000
Fiji	194 228						
Finland	25 700 942	EUR	4 600 000	5 777 200	4 007 875		4 007 875
France ¹	171 496 161	EUR	24 000 000	28 309 201		18 872 801	18 872 801
Gabon ²	2 801 000	USD	200 000	200 000			0
Gambia	30 086	USD	9 810	9 810	9 810		9 810
Germany ¹	254 435 106	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						
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						
India	47 812 382	USD	15 000 000	15 000 000	10 000 000		10 000 000
Indonesia	36 959 000	USD	5 000 000	5 000 000	3 000 000		3 000 000
Iran (Islamic Republic of) ²	128 750 000						
Iraq ²	53 099 000						
Ireland	5 007 473	EUR	1 173 618	1 403 743	1 403 743		1 403 743
Israel	300 000						
Italy	168 360 604						
Jamaica	325 814						
Japan	292 531 353	JPY	3 656 010 000	31 806 374	16 318 743	15 487 630	31 806 374
Jordan	655 000	USD	85 000	85 000	85 000		85 000
Kenya ²	4 407 784						
Kuwait	148 041 000	USD	5 000 000	5 000 000	3 250 000	1 750 000	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 ²	52 000 000						
Luxembourg	1 875 856	EUR	510 000	615 698	405 148	210 550	615 698
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

Cont'd

¹ See Appendix H, Note 13
² See Appendix H, Note 14

	Initial, First, Second, Third, Fourth and Fifth Replenishments		Sixth Replenishment				
	USD Equivalent	Currency	Instruments Deposited		Payments – USD Equivalent		Total
			Amount	USD Equivalent	Cash	Promissory Notes	
Maldives	51 000						
Mali	51 519	USD	11 020	11 020	11 020		11 020
Malta	54 985						
Mauritania ¹	50 000						
Mauritius	250 000	USD	20 000	20 000	20 000		20 000
Mexico	27 130 985	USD	3 000 000	3 000 000	2 000 000		2 000 000
Morocco	5 944 407	USD	300 000	300 000	150 000	150 000	300 000
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	USD	50 000	50 000	50 000		50 000
Netherlands	171 747 838	EUR	40 000 000	47 646 578	16 348 397	31 298 181	47 646 578
New Zealand	7 991 330						
Nicaragua	88 571	USD	10 000	10 000	10 000		10 000
Niger	174 807						
Nigeria ²	95 184 000						
Norway	114 256 266	NOK	194 691 467	29 343 028	9 216 164	10 542 643	19 758 807
Oman	150 000						
Pakistan ¹	8 933 776	USD	2 000 000	2 000 000	1 333 333		1 333 333
Panama	133 165	USD	33 200	33 200	33 200		33 200
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	EUR	778 950	916 954	610 684		610 684
Qatar ²	28 980 000	USD	1 000 037	1 000 037	1 000 037		1 000 037
Republic of Korea	7 739 031	USD	2 500 000	2 500 000	1 750 000		1 750 000
Republic of Moldova		USD	6 100	6 100	6 100		6 100
Romania	50 453	USD	100 000	100 000	100 000		100 000
Rwanda	159 499	USD	4 352	4 352	4 352		4 352
Saint Kitts and Nevis	20 000						
Saint Lucia	22 000						
Samoa	50 000						
Sao Tome and Principe ²	10 000						
Saudi Arabia	369 778 000	USD	10 000 000	10 000 000	6 500 000	3 500 000	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	USD	334 000	334 000	334 000		334 000

Cont'd

¹ See Appendix H, Note 13
² See Appendix H, Note 14

	Initial, First, Second, Third, Fourth and Fifth Replenishments			Sixth Replenishment			
	USD Equivalent	Currency	Instruments Deposited		Payments – USD Equivalent		
			Amount	USD Equivalent	Cash	Promissory Notes	Total
Sudan	688 266	EUR	162 863	200 588	200 588		200 588
Swaziland	178 329	USD	40 000	40 000	40 000		40 000
Sweden	125 100 114	SEK	296 706 440	39 443 648	39 443 648		39 443 648
Switzerland ¹	77 292 475	CHF	21 323 400	16 179 218		10 774 309	10 774 309
Syrian Arab Republic	666 656	USD	300 000	300 000	300 000		300 000
Tajikistan	200						
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	400 000		400 000
Turkey ²	15 036 366	USD	300 000	300 000	300 000		300 000
Uganda	200 000	USD	45 000	45 000	45 000		45 000
United Arab Emirates	50 180 000	USD	1 000 000	1 000 000	300 000	700 000	1 000 000
United Kingdom of Great Britain and Northern Ireland ¹	137 614 881	GBP	19 707 000	33 831 992			
United Republic of Tanzania	214 385	USD	50 000	50 000	50 000		50 000
United States of America	602 674 400	USD	45 000 000	45 000 000	20 250 000	9 440 661	29 690 661
Uruguay	225 000						
Venezuela (Bolivarian Republic of)	169 089 000	USD	5 600 000	5 600 000	2 223 342	3 376 658	5 600 000
Viet Nam	603 012	USD	500 000	500 000	300 000		300 000
Yemen	1 400 000	USD	384 316	384 316	384 316		384 316
Yugoslavia	108 170						
Zambia	307 262						
Zimbabwe	2 103 074						
Total Contributions 31 December 2005	3 949 454 738			487 250 799	209 899 043	170 671 123	380 570 166
31 December 2004	3 958 605 088			514 583 226	110 442 155	171 603 188	282 045 343

Advance Contributions to the Seventh Replenishment							
	USD Equivalent	Currency	Instruments Deposited		Payments – USD Equivalent		
			Amount	USD Equivalent	Cash	Promissory Notes	Total
Cameroon	300 000	EUR	235 219	300 000	300 000		300 000
Colombia	170 381	USD	170 381	170 381	170 381		170 381
Total Contributions 31 December 2005	470 381			470 381	470 381	-	470 381
31 December 2004	-			-	-	-	-

¹ See Appendix H, Note 13

² See Appendix H, Note 14

Appendix E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

Special Programme for Africa

	First Phase			Second Phase		
	Currency	Instruments Deposited		Instruments Deposited		Total
		Amount	USD Equivalent	Amount	USD Equivalent	
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 2005			288 867 785		62 364 272	351 232 057
31 December 2004			288 867 785		62 364 272	351 232 057

Summary of Member States' Contributions

	Value in USD '000	
	31 December 2005	31 December 2004
Initial Contributions	1 017 310	1 017 310
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	553 495	552 495
Fourth Replenishment	361 396	361 918
Fifth Replenishment	434 322	443 950
Sixth Replenishment	487 251	514 583
Advance Contributions to the Seventh Replenishment	470	-
Total IFAD	4 437 176	4 473 188
SPA First Phase	288 868	288 868
SPA Second Phase	62 364	62 364
Total SPA	351 232	351 232
Total IFAD and SPA at nominal value	4 788 408	4 824 420
Fair value adjustment	(21 273)	
Total IFAD and SPA at fair value	4 767 135	

Cont'd

¹ See Appendix H, Note 14

Appendix E**Statement of Member States' Contributions and Special Contributions**

As at 31 December 2005 and 2004

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 2005	20 139 050	-	20 139 050
31 December 2004	20 139 050	-	20 139 050
SPA			
First Phase		209 345	209 345
31 December 2005	-	209 345	209 345
31 December 2004	-	209 345	209 345
Total IFAD and SPA	20 139 050	209 345	20 348 395
31 December 2005	20 139 050	209 345	20 348 395
31 December 2004	20 139 050	209 345	20 348 395

Appendix E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

1. Statement of Complementary Contributions Received Directly from Member States

	Currency	Instruments Deposited ¹			Payments – USD Equivalent ²	
		Amount	USD Equivalent	Cash	Promissory Notes	Total
Fourth Replenishment						
Belgium (BSF.JP)	EUR	19 831 482	25 903 082	16 838 595	9 064 487	25 903 082
Netherlands (Debt Initiative for HIPC ^s) ²	EUR	12 081 227	12 428 584	12 428 584		12 428 584
31 December 2005			38 331 666	29 267 179	9 064 487	38 331 666
31 December 2004			36 467 775	27 609 569	8 858 206	36 467 775
Fifth Replenishment						
Belgium (BSF.JP)	EUR	14 873 611	14 029 758	3 532 486	10 497 272	14 029 758
31 December 2005			14 029 758	3 532 486	10 497 272	14 029 758
31 December 2004			19 293 708	2 014 746	17 278 962	19 293 708
Sixth Replenishment						
Belgium (BSF.JP)	EUR	11 104 256	13 246 919	8 573 542	4 673 377	13 246 919
Canada	CAD	2 000 000	1 511 373	1 511 373		1 511 373
Italy (Debt Initiative for HIPC ^s) ³	EUR	3 720 000	4 602 198	4 602 198		4 602 198
Luxembourg (Debt Initiative for HIPC ^s) ³	EUR	850 000	1 053 052	1 053 052		1 053 052
United Kingdom of Great Britain and Northern Ireland ³	USD	6 229 738	6 229 738	6 229 738		6 229 738
31 December 2005			26 643 280	21 969 803	4 673 377	26 643 280
31 December 2004			17 556 987	12 171 638	5 385 349	17 556 987
Total Complementary Contributions						
31 December 2005			79 004 704	54 769 568	24 235 136	79 004 704
31 December 2004			82 459 511	41 795 953	31 522 517	73 318 470

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

Belgium	EUR	2 974 722	2 713 086	2 713 086	2 713 086
European Commission	EUR	7 500 000	9 502 794	9 502 794	9 502 794
European Commission	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
Finland	USD	2 656 200	2 656 200	2 656 200	2 656 200
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 2005			44 844 538	44 844 538	44 844 538
31 December 2004			42 188 338	42 188 338	- 42 188 338
Total Contributions to Debt Initiative from Member States ³			18 083 834	18 083 834	18 083 834
Total 31 December 2005			62 928 372	62 928 372	62 928 372
Total 31 December 2004			59 997 359	59 997 359	- 59 997 359

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

	Currency	Current Value of Contributions	
		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	25 903 082
Fifth Replenishment	EUR	14 873 611	14 029 758
Sixth Replenishment	EUR	11 104 256	13 246 919
31 December 2005	EUR	114 412 642	117 015 394
31 December 2004	EUR	110 954 642	116 974 752

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

² The United Kingdom of Great Britain and Northern Ireland has pledged USD 10 million as a complementary contribution to the Sixth Replenishment

³ Comprises contributions from Italy, Luxembourg and The Netherlands included in complementary contributions received directly from Member States

Appendix E1**4. Statement of Supplementary Contributions**

Cumulative Value of Contributions	USD '000 Equivalent	
	As at 31 December 2005	As at 31 December 2004
Cofinancing Funds	165 803	151 596
Programmatic Supplementary Funds	70 975	62 956
Associate Professional Officer (APO) funds	25 973	24 396
Global Environment Facility (GEF)	2 779	993
Other Supplementary Funds/Complementary Contributions	16 789	11 420
Total Supplementary Contributions	282 319	251 361

5. Statement of Movement in Contributions for the year ended 31 December 2005

	USD '000 Equivalent					Total
	Cofinancing Funds	Programmatic Supplementary Funds	APO Funds	GEF	Other Supplementary Funds	
Unspent funds at 1 January 2005	10 419	22 301	1 618	568	2 420	37 326
Contributions received from donors	6 687	8 745	1 728	1 740	5 371	24 271
Returned to donors		(72)	(156)		(2)	(230)
Interest added to funds		709		47		756
Expenditures	(7 962)	(7 596)	(1 787)	(303)	(1 392)	(18 775)
Unspent funds at 31 December 2005	9 144	24 087	1 403	2 052	6 397	43 083

6. Cofinancing Funds

Donor	USD '000 Equivalent			
	Contribution Value		Unspent As at 31 December	
	2005	2004	2005	2004
Member States				
Austria	755	755		
Australia	2 721	2 721		
Belgium	5 059	5 059		57
Denmark	2 467	2 467		
Finland	2 397	2 397		
France	1 032	1 032		
Germany	46	46		
Ireland	6 307	6 307	2 609	2 854
Italy	15 652	14 556	2 921	2 916
Japan	1 876	1 876	380	574
Luxembourg	750	750		
Netherlands	62 089	63 033	1	
Norway	19 120	19 045	469	1 337
Portugal	142	142		
Suriname	2 019	2 019	2	2
Sweden	9 379	9 379	343	483
Switzerland	8 388	8 023	832	906
United Kingdom of Great Britain and Northern Ireland	13 786	171	619	
Non-Member States and Other Sources				
African Development Bank	2 800	2 800		
Arab Bank	899	899	899	899
Arab Fund for Economic and Social Development	2 998	2 998	1	310
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	81	28	77
World Bank	802	802	40	
Total	165 803	151 596	9 144	10 419

Appendix E1

7. Programmatic Supplementary Funds

Donor	USD '000 Equivalent			
	Contribution Value		Unspent As at 31 December	
	2005	2004	2005	2004
Canada	333	333	30	167
Congress Hunger Centre	201	201	18	61
Denmark	3 301	3 276	94	75
Finland	2 395	1 969	697	520
France	3 722	3 237	619	329
Germany	5 325	5 495	2 144	2 369
Ireland	805	1 662	293	1 299
Italy	24 485	16 675	13 870	8 821
Japan	3 967	3 770	524	531
Luxembourg	113	74	71	74
Malaysia	13	13	13	13
Netherlands	9 691	9 828	314	855
Norway	3 644	3 659	1 166	1 556
Portugal	738	662	271	340
Sweden	1 642	1 642	893	1 013
Switzerland	7 169	7 352	2 728	3 670
United Kingdom of Great Britain and Northern Ireland	3 082	2 799	323	557
World Bank	340	282	19	33
Others	9	27		18
Total	70 975	62 956	24 087	22 301

8. Associate Professional Officer Funds

Donor	USD '000 Equivalent					
	Cumulative Number of APOs		Total Contributions Received		Unspent As at 31 December	
	2005	2004	2005	2004	2005	2004
Belgium	4	3	503	321	105	
Denmark	19	19	3 033	3 086	115	366
Finland	10	8	1 526	1 264	293	204
France	3	3	559	568		9
Germany	26	25	3 668	3 484	160	288
Italy	19	17	3 838	3 532	373	302
Japan	11	11	1 894	1 894	(29)	191
Korea	8	7	2 237	2 038	(40)	(68)
Netherlands	29	29	4 637	4 320	100	24
Norway	8	8	1 387	1 244	206	129
Sweden	12	12	2 026	1 934	120	124
Switzerland	3	3	343	388		48
United States of America	3	3	322	323		1
Total	155	148	25 973	24 396	1 403	1 618

A total of 24 APOs worked at IFAD during 2005 (2004 - 22). These were financed by Belgium (1), Denmark (3), Finland (2), Germany (4), Italy (4), Japan (2), Republic of Korea (2), Netherlands (4), Norway (1) and Sweden (1).

9. Global Environment Facility

Recipient Country	USD '000 Equivalent				
	Contributions Received	Unspent at 1 January 2005	Received/ (Returned to donors)	(Expenditures) Release of accruals	Unspent at 31 December 2005
Asian Regional	340		340	(204)	136
Brazil	300	191		54	245
Ethiopia	350	350			350
Jordan	350		350		350
Mali	326	11			11
Morocco	350		350		350
Sri Lanka	350		350	(153)	197
Tunisia	350		350		350
Total	2 716	552	1 740	(303)	1 989
Interest added to funds	63	16	47		63
Total	2 779	568	1 787	(303)	2 052

Appendix E1**10. Other Supplementary Funds/Complementary Contributions¹**

Donor	USD '000 Equivalent			
	Contribution Value		Undisbursed	
	2005	2004	As at 31 December	
			2005	2004
Member States				
Angola	7	7		
Australia	84	84		
Belgium ²	1 480	1 480	20	19
Canada ³	2 649	2 648	985	1 740
China	30	30		
Colombia	25	25		
Denmark	546	546	129	202
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	1 178	1 178	50	50
Pakistan	25	25		
Paraguay	15	15		
Senegal	15	15		
South Africa	10	10		
Spain	8	8		
Sweden	417	417	100	100
Switzerland	270	272		2
Turkey	47	47		
United Kingdom of Great Britain and Northern Ireland ⁴	6 280	910	5 087	281
United States of America	85	85		
Total	16 086	10 717	6 371	2 394
Non Member States	703	703	26	26
Grand Total	16 789	11 420	6 397	2 420

¹ The complementary contributions shown above exclude those relating specifically to BSF and HIPC DI; all such contributions are shown in Appendix E1 table 1.

² The total contribution of Belgium includes USD 942 000 provided by the BSF.JP

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

⁴ The total contribution of the United Kingdom of Great Britain and Northern Ireland includes 6 230 000 equivalent relating to the Innovation Programme, which is a complementary contribution to IFAD's resources as disclosed in Appendix E1 Table 1 (2004 USD 859 000).

Appendix F

Statement of Loans¹ As at 31 December 2005 and 2004

Borrower or Guarantor	Approved		Effective Loans				
	Loans Less	Loans Not	Undisbursed	Disbursed	Repayments	Outstanding	
	Cancellations	Yet Effective					Portion
USD	USD	USD	USD	USD	USD	USD	
USD Loans¹							
Bangladesh	30 000 000			30 000 000	12 750 000	17 250 000	
Cape Verde	2 003 243			2 003 243	851 360	1 151 883	
Haiti	3 500 000			3 500 000	1 531 250	1 968 750	
Nepal	11 538 262			11 538 262	4 914 500	6 623 762	
Sri Lanka	12 000 000			12 000 000	5 400 000	6 600 000	
United Republic of Tanzania	9 488 456			9 488 456	4 159 623	5 328 834	
Subtotal¹	68 529 961	-	-	68 529 961	29 606 733	38 923 229	
Exchange adjustment on United States dollar loans	3 185 612			3 185 612	3 153 061	32 551	
Subtotal USD Loans¹	71 715 573	-	-	71 715 573	32 759 794	38 955 779	
SDR Loans¹	SDR	SDR	SDR	SDR	SDR	SDR	
Albania	29 227 333	5 500 000	422 042	23 305 291	604 700	22 700 591	
Algeria	41 200 530	7 900 000	20 451 688	12 848 842	10 360 984	2 487 858	
Angola	12 000 000		2 210 931	9 789 069		9 789 069	
Argentina	45 700 000	13 350 000	15 912 059	16 437 941	13 146 732	3 291 208	
Armenia	37 748 833		9 133 222	28 615 611	90 000	28 525 611	
Azerbaijan	21 809 390	8 600 000	2 376 367	10 833 023		10 833 023	
Bangladesh ²	244 571 969	17 550 000	41 080 459	185 941 510	32 501 097	153 440 413	
Belize	1 750 000		732 635	1 017 365	336 550	680 815	
Benin	72 753 289	6 950 000	11 420 211	54 383 078	8 839 070	45 544 008	
Bhutan	27 284 372	9 250 000	1 018 324	17 016 049	2 681 288	14 334 761	
Bolivia	48 996 121		10 073 291	38 922 830	10 408 025	28 514 805	
Bosnia and Herzegovina	23 957 479		5 584 345	18 373 135		18 373 135	
Brazil	59 649 999	15 450 000	12 637 107	31 562 893	16 785 000	14 777 893	
Burkina Faso	60 233 552		26 483 195	33 750 357	4 439 787	29 310 570	
Burundi ²	41 689 386		16 058 693	25 630 693	6 481 057	19 149 636	
Cambodia	28 350 000		11 412 534	16 937 466		16 937 466	
Cameroon	38 878 543		22 363 183	16 515 360	3 252 795	13 262 565	
Cape Verde	10 889 724		4 139 572	6 750 152	787 936	5 962 216	
Central African Republic	23 044 455			23 044 455	1 758 492	21 285 963	
China	334 532 321	20 150 000	62 914 539	251 467 782	37 239 849	214 227 933	
Colombia	11 000 000		3 902 350	7 097 650	4 399 992	2 697 658	
Comoros	4 181 951			4 181 951	641 020	3 540 931	
Congo	10 003 279		7 277 994	2 725 285	1 911 700	813 585	
Costa Rica	5 722 172		1	5 722 171	3 919 765	1 802 406	
Côte d'Ivoire	25 276 323		16 110 951	9 165 372	1 127 050	8 038 322	
Cuba	10 581 121			10 581 121	2 272 855	8 308 266	
Democratic People's Republic of Korea	50 496 448		4 573 001	45 923 447	3 134 997	42 788 450	
Democratic Republic of the Congo	39 692 557	10 950 000	10 000 000	18 742 557	1 634 702	17 107 855	
Djibouti	4 461 831		2 750 000	1 711 831	538 388	1 173 443	
Dominica	4 246 460		44 394	4 202 067	2 247 272	1 954 795	
Dominican Republic	29 058 437	10 600 000	2 240 541	16 217 895	7 340 096	8 877 799	
Ecuador	32 225 544	9 900 000		22 325 544	9 681 271	12 644 273	
Egypt	124 639 392		31 551 471	93 087 920	25 229 737	67 858 183	
El Salvador	63 764 293	9 950 000	14 916 389	38 897 903	12 831 730	26 066 173	
Equatorial Guinea	5 793 838			5 793 838	723 281	5 070 557	
Eritrea	16 650 000		6 527 896	10 122 104	285 000	9 837 104	
Ethiopia	131 661 415	18 200 000	31 554 115	81 907 300	13 349 109	68 558 191	
Gabon	4 792 609			4 792 609	4 265 952	526 657	
Gambia	25 226 955	4 850 000	882 413	19 494 542	2 868 363	16 626 179	
Georgia	16 850 000	6 050 000	4 184 322	6 615 678		6 615 678	
Ghana	91 029 281	13 050 000	20 905 308	57 073 973	6 453 950	50 620 023	
Grenada	3 250 000		2 702 488	547 512		547 512	
Guatemala	64 925 905	32 900 000	12 155 872	19 870 032	9 595 025	10 275 007	
Guinea-Bissau	5 117 134			5 117 134	731 796	4 385 338	
Guinea	74 783 729		29 467 327	45 316 402	4 740 861	40 575 541	
Guyana	12 144 316		3 283 699	8 860 617	4 529 810	4 330 807	
Haiti	52 051 777		24 616 754	27 435 022	6 828 375	20 606 647	
Honduras	66 391 105		14 395 919	51 995 186	6 393 792	45 601 394	
India	376 238 176	37 700 000	87 040 794	251 497 382	62 602 257	188 895 125	
Indonesia ²	136 169 858	22 650 000	29 207 476	84 312 382	34 288 247	50 024 135	
Jamaica	2 253 312			2 253 312	2 134 981	118 332	
Jordan	32 270 647		12 122 508	20 148 139	6 824 045	13 324 094	

Cont'd

Borrower or Guarantor SDR Loans ¹	Approved		Undisbursed Portion SDR	Effective Loans		Outstanding Loans SDR
	Loans Less Cancellations SDR	Loans Not Yet Effective SDR		Disbursed Portion SDR	Repayments SDR	
Kenya	62 161 042	12 100 000	26 655 343	23 405 699	4 322 402	19 083 297
Kyrgyzstan	7 469 449		1 092 179	6 377 270	26 158	6 351 112
Lao People's Democratic Republic	47 686 516	11 300 000	5 229 515	31 157 000	3 350 111	27 806 889
Lebanon	14 984 829		451 487	14 533 342	7 797 426	6 735 916
Lesotho	21 340 053		6 799 633	14 540 420	2 563 713	11 976 707
Liberia	10 179 774			10 179 774		10 179 774
Macedonia	11 850 000		2 792 287	9 057 713		9 057 713
Madagascar ²	67 916 578		13 971 359	53 945 220	7 565 943	46 379 277
Malawi ²	64 890 887	5 500 000	10 090 183	49 300 704	10 166 941	39 133 763
Maldives	7 093 535	1 400 000		5 693 535	947 742	4 745 793
Mali	70 774 159	9 550 000	8 645 053	52 579 106	7 607 654	44 971 452
Mauritania	41 467 143		21 051 669	20 415 475	4 105 884	16 309 591
Mauritius	8 200 000		4 405 311	3 794 689	546 668	3 248 021
Mexico	53 300 000	17 250 000	21 560 653	14 489 347	6 244 579	8 244 768
Mongolia	13 704 886		7 419 341	6 285 545		6 285 545
Morocco	71 408 659	11 250 000	20 511 664	39 646 995	22 783 130	16 863 865
Mozambique ²	81 299 776		26 757 370	54 542 407	7 024 635	47 517 772
Namibia	4 199 967			4 199 967	1 680 000	2 519 967
Nepal	72 725 324		22 277 495	50 447 829	12 169 770	38 278 059
Nicaragua	36 282 122		18 247 935	18 034 188	425 536	17 608 652
Niger	36 951 372		14 252 531	22 698 841	3 058 995	19 639 846
Nigeria	84 317 941		41 698 836	42 619 105	18 306 436	24 312 669
Pakistan ²	219 992 020	18 300 000	47 207 376	154 484 644	64 771 987	89 712 657
Panama	38 819 165		24 403 372	14 415 793	9 316 635	5 099 158
Papua New Guinea	5 687 678			5 687 678	3 835 550	1 852 128
Paraguay	19 835 602	7 850 000		11 985 602	8 769 998	3 215 604
Peru	51 993 220		17 568 442	34 424 778	17 915 486	16 509 292
Philippines	61 535 875	12 350 000	13 779 153	35 406 723	8 409 344	26 997 379
Republic of Moldova	25 200 000	19 400 000		5 800 000		5 800 000
Romania	12 400 000		3 941 176	8 458 824	1 653 336	6 805 488
Rwanda ²	84 815 566	5 650 000	31 212 119	47 953 446	6 883 811	41 069 635
Saint Lucia	1 242 088			1 242 088	464 940	777 148
Saint Vincent and the Grenadines	1 484 045			1 484 045	876 914	607 131
Samoa	1 907 723			1 907 723	392 027	1 515 695
Sao Tome and Principe	13 760 513		6 727 199	7 033 314	1 016 093	6 017 221
Senegal	58 802 838	8 700 000	12 992 804	37 110 034	2 840 804	34 269 230
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	17 709 558			17 709 558	410 968	17 298 590
Sri Lanka	84 654 846	10 960 000	18 165 860	55 528 986	11 238 769	44 290 217
Sudan ²	112 699 504		37 916 148	74 783 356	16 741 081	58 042 275
Swaziland	16 352 735		10 148 371	6 204 364	2 550 000	3 654 364
Syrian Arab Republic	56 544 816		30 605 275	25 939 541	16 406 499	9 533 042
Tchad	26 150 000	8 400 000	15 306 404	2 443 596		2 443 596
Thailand	0					
Togo	17 565 212			17 565 212	1 520 745	16 044 467
Tonga	4 837 121			4 837 121	766 335	4 070 786
Tunisia	43 950 000	10 900 000	16 544 997	16 505 003	6 321 138	10 183 865
Turkey	31 692 911		14 110 329	17 582 582	13 155 712	4 426 870
Uganda ²	104 320 096		40 002 305	64 317 790	12 013 686	52 304 105
United Republic of Tanzania	113 457 673	31 300 000	15 666 269	66 491 405	3 335 232	63 156 173
Uruguay	18 879 950		7 665 221	11 214 730	6 689 100	4 525 630
Venezuela	38 580 212	10 400 000	14 006 656	14 173 556	14 173 556	
Viet Nam	76 500 000		26 517 771	49 982 229	834 375	49 147 854
Yemen ²	127 186 097	15 700 000	17 338 498	94 147 599	21 135 843	73 011 756
Zambia	79 003 670	16 250 000	8 817 314	53 936 356	7 110 016	46 826 340
Zimbabwe	32 176 055			32 176 055	15 605 185	16 570 870
Total	5 257 001 595	531 910 000	1 353 391 279	3 371 700 316	796 492 157	2 575 208 159
Fund for Gaza and the West Bank ³	5 800 000		4 059 571	1 740 429		1 740 429
USD equivalent	7 506 492 062	758 679 217	1 936 172 938	4 811 639 907	1 101 883 332	3 709 756 575
Exchange adjustment on SDR loan repayments	(34 177 367)			(34 177 367)		(34 177 367)
Subtotal SDR Loans (31 December 2005 USD)	7 472 314 695	758 679 217	1 936 172 938	4 777 462 540	1 101 883 332	3 675 579 208
Total Loans (31 December 2005 USD at nominal value)	7 544 030 268	758 679 217	1 936 172 938	4 849 178 113	1 134 643 126	3 714 534 987
Fair value adjustment						(1 061 862 891)
31 December 2005 USD at fair value						2 652 672 096
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

Appendix F

Statement of Loans at nominal value¹

As at 31 December 2005

Summary

		Approved Loans in SDR'000				Value in USD'000				
		As at 1 January 2005	Loans Cancelled	Loans Fully Repaid	As at 31 December 2005	As at 1 January 2005	Loans Cancelled	Loans Fully Repaid	Movement in Exchange Rate SDR/USD	As at 31 December 2005
1978	USD	68 530			68 530	68 530			0	68 530
1979	SDR	201 486			201 486	312 260			(24 875)	287 386
1980	SDR	187 228			187 228	290 164			(23 115)	267 049
1981	SDR	188 716			188 716	292 470			(23 298)	269 171
1982	SDR	103 110			103 110	159 799			(12 730)	147 069
1983	SDR	143 589			143 589	222 532			(17 727)	204 805
1984	SDR	151 708		(19 801)	131 907	235 115		(28 243)	(18 729)	188 143
1985	SDR	83 154		(11 115)	72 039	128 871		(15 854)	(10 266)	102 751
1986	SDR	63 331		(4 072)	59 259	98 150		(5 808)	(7 819)	84 523
1987	SDR	89 350		(1 459)	87 891	138 473		(2 081)	(11 031)	125 362
1988	SDR	89 149		(8 843)	80 306	138 162		(12 613)	(11 006)	114 543
1989	SDR	108 252	(115)		108 137	167 768	(164)		(13 364)	154 239
1990	SDR	106 578			106 578	165 173			(13 158)	152 015
1991	SDR	147 202	(1 173)	(8 045)	137 984	228 132	(1 673)	(11 475)	(18 173)	196 811
1992	SDR	151 345	(338)		151 007	234 552	(482)		(18 685)	215 386
1993	SDR	182 998	(4 988)	(9 000)	169 010	283 608	(7 115)	(12 837)	(22 592)	241 064
1994	SDR	184 906	(1 594)		183 312	286 565	(2 274)		(22 828)	261 463
1995	SDR	236 770	(4 291)		232 479	366 943	(6 120)		(29 231)	331 592
1996	SDR	252 681	(6 794)		245 887	391 602	(9 690)		(31 195)	350 716
1997	SDR	285 151	(5 942)		279 209	441 923	(8 475)		(35 204)	398 244
1998	SDR	294 884	(10 226)		284 658	457 007	(14 586)		(36 405)	406 016
1999	SDR	316 050	(350)		315 700	489 810	(499)		(39 019)	450 292
2000	SDR	312 250			312 250	483 921			(38 549)	445 372
2001	SDR	306 600			306 600	475 165			(37 852)	437 313
2002	SDR	271 800			271 800	421 232			(33 556)	387 677
2003	SDR	285 850			285 850	443 007			(35 290)	407 716
2004	SDR	292 000			292 000	452 538			(36 049)	416 488
2005	SDR	0			324 810					463 286
Total	SDR	5 036 138	(35 811)	(62 335)	5 262 802	7 873 471	(51 078)	(88 910)	(621 746)	7 575 022
	USD	68 530								
Total						(131 270)				(30 992)
Exchange adjustment on loans disbursed					USD	7 742 200				7 544 030

Maturity Structure of Outstanding Loans at nominal value

As at 31 December 2005 and

2004 (USD'000)

Period due	2005	2004
Less than 1 year	200 641	199 115
1-2 years	147 093	153 973
2-3 years	150 780	159 046
3-4 years	153 793	157 628
4-5 years	155 705	155 196
5-10 years	790 416	826 127
10-15 years	656 244	663 519
16-20 years	561 984	549 596
21-25 years	483 106	490 863
More than 25 years	414 773	474 690
Total	3 714 535	3 829 753

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 1.42633/1 at 31 December 2005. Since the loans were valued at 31 December 2004 at the then prevailing rate of 1.54979/1, there is a decrease in value in terms of United States dollars of USD 621 746 000, attributable to the movement in exchange rates from 31 December 2004 to 31 December 2005 (from 2003 to 2004, there was an increase in value in terms of United States dollars of USD 307 579 000).

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 resulting in early repayment of loans see Appendix E1.

³ See Appendix H, Note 3(e).

Appendix F

Statement of Loans at nominal value – Special Programme for Africa

As at 31 December 2005 and 2004

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
	SDR	SDR	SDR	SDR	SDR	SDR
Angola	2 767 309		315 082	2 452 227	70 092	2 382 134
Burkina Faso	10 546 114			10 546 114	1 317 548	9 228 566
Burundi	4 494 358			4 494 358	301 201	4 193 157
Cape Verde	2 182 547			2 182 547	316 030	1 866 517
Chad	9 617 099			9 617 099	785 725	8 831 374
Comoros	2 289 071			2 289 071		2 289 071
Djibouti	113 718			113 718	11 335	102 384
Ethiopia	6 816 469			6 816 469	1 284 710	5 531 759
Gambia	2 638 448			2 638 448	395 760	2 242 688
Ghana	22 321 239			22 321 239	2 928 109	19 393 130
Guinea-Bissau	2 126 406			2 126 406	79 740	2 046 666
Guinea	10 761 866			10 761 866	1 883 322	8 878 544
Kenya	12 387 096		1 955 237	10 431 859	1 325 892	9 105 967
Lesotho	7 481 439			7 481 439	1 033 580	6 447 859
Madagascar	1 098 064			1 098 064	18 301	1 079 763
Malawi	5 776 933			5 776 933	289 725	5 487 208
Mali	10 193 236			10 193 236	2 042 240	8 150 996
Mauritania	19 020 121			19 020 121	2 663 786	16 356 335
Mozambique	8 291 210			8 291 210	1 761 880	6 529 330
Niger	11 118 834			11 118 834	2 115 640	9 003 194
Senegal	23 233 906			23 233 906	2 920 906	20 313 000
Sierra Leone	1 505 254			1 505 254	37 632	1 467 622
Sudan	26 012 406		(54 839)	26 067 245	3 707 797	22 359 448
Uganda	8 123 651			8 123 651	1 624 720	6 498 931
United Republic of Tanzania	6 789 416			6 789 416	1 018 440	5 770 976
Zambia	8 606 704			8 606 704	1 719 069	6 887 635
Total	226 312 914	-	2 215 480	224 097 434	31 653 180	192 444 254
USD Equivalent¹	322 796 911		3 160 007	319 636 904	43 855 340	275 781 564
Exchange adjustment on SDR Loan						
Repayments	(1 292 541)			(1 292 541)		(1 292 541)
31 December 2005						
USD at nominal value	321 504 370		3 160 007	318 344 363	43 855 340	274 489 023
Fair value adjustment						(111 494 768)
31 December 2005						
USD at fair value						162 994 255
31 December 2004 USD	349 502 956		9 844 450	339 658 506	35 534 700	304 123 806

Summary

		Approved Loans in SDR'000			Value in USD'000		
		At 1 January 2005	Loans Cancelled	At 31 December 2005	At 1 January 2005	Loans Cancelled	At 31 December 2005
					Movement in Exchange Rate SDR/USD		
1986	SDR	24 902		24 902.00	38 593		(3 075)
1987	SDR	41 292		41 292.00	63 994		(5 098)
1988	SDR	34 770		34 770.00	53 886		(14 293)
1989	SDR	25 756		25 756.00	39 916		(3 179)
1990	SDR	17 370		17 370.00	26 920		(2 145)
1991	SDR	18 246		18 246.00	28 277		(2 252)
1992	SDR	6 952		6 952.00	10 774		(858)
1993	SDR	36 076	(1 506)	34 570.00	55 910	(2 148)	(4 454)
1994	SDR	16 481	(161)	16 320.00	25 542	(229)	(2 035)
1995	SDR	6 798	(663)	6 135.00	10 536	(946)	(840)
Total	SDR	228 643	(2 330)	226 313	354 348	(3 323)	(38 228)

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 1.42633/1 as at 31 December 2005. Since the loans were valued at 31 December 2004, at the then prevailing rate of 1.54979/1, there has been a decrease in value in terms of United States dollars of USD 38 228 000, attributable to the movement in exchange rates from 31 December 2004 to 31 December 2005 (from 2003 to 2004 there was an increase in value in terms of United States dollars of USD 14 649 000)

Appendix F
Maturity Structure of Outstanding Loans at nominal value
 As at 31 December 2005 and 2004 (USD'000)

Period due	2005	2004
Less than 1 year	9 476	9 854
1-2 years	8 404	9 291
2-3 years	8 404	9 291
3-4 years	8 404	9 291
4-5 years	8 404	9 291
5-10 years	42 022	46 299
10-15 years	42 022	45 883
16-20 years	41 546	44 186
21-25 years	41 121	43 244
More than 25 years	64 686	77 494
Total	274 489	304 124

Appendix F1
Statement of Grants at nominal value – IFAD Only
 For the years ended 31 December (USD'000)

	Undisbursed as at 1 January 2005	Effective	Disbursements	Cancellations	Reclassification/ Revaluation	Undisbursed as at 31 December 2005
Non-Governmental Organization/Extended Cooperation	1 823	230	(1 031)	(240)		782
Programme grants						
Component grants	1 588	2 690	(200)		(257)	3 821
Research grants	32 637	32 648	(20 955)	(547)		43 783
Total 2005	36 048	35 568	(22 186)	(787)	(257)	48 386
Fair value adjustment						(6 176)
Total 2005 at fair value						42 210
Total 2004	35 407	21 013	(17 877)	(2 412)	(83)	36 048

Appendix G

Summary of the Debt Initiative for Heavily Indebted Poor Countries

(expressed in thousands of special drawing rights)

At 31 December 2005, the cumulative position of the debt relief provided and estimated to be provided, under both the original and enhanced Debt Initiative for HIPCs, is as follows:

	Debt Relief Provided to Date		Debt Relief to Be Provided		Total		
	Principal	Interest	Principal ¹	Interest	Principal	Interest	Total
Benin	2 005	817	2 552	839	4 558	1 656	6 214
Bolivia	5 900	1 890			5 900	1 890	7 790
Burkina Faso	2 526	1 270	4 551	1 345	7 077	2 615	9 692
Cameroon			3 023	699	3 023	699	3 722
Chad			1 367	425	1 367	425	1 791
Democratic Republic of the Congo	1 504	245	8 154	1 235	9 658	1 480	11 138
Ethiopia	1 697	699	19 507	5 150	21 204	5 849	27 053
Gambia			2 260	649	2 260	649	2 910
Ghana	1 565	886	14 087	4 045	15 652	4 931	20 583
Guinea			6 162	1 765	6 162	1 765	7 927
Guinea-Bissau			4 407	875	4 407	875	5 283
Guyana	1 184	238	355	49	1 539	287	1 826
Honduras	229	166	859	591	1 088	757	1 845
Madagascar	502	214	7 367	1 828	7 869	2 042	9 911
Malawi			12 313	3 035	12 313	3 035	15 348
Mali	3 872	1 695	2 363	719	6 235	2 414	8 649
Mauritania	2 408	952	6 086	1 634	8 494	2 586	11 080
Mozambique	4 669	1 952	7 236	1 818	11 905	3 770	15 675
Nicaragua	6 427	249	1 134	351	7 561	600	8 161
Niger	659	374	10 366	2 401	11 025	2 775	13 800
Rwanda	276	97	18 579	4 576	18 855	4 673	23 528
Sao Tome and Principe			4 703	784	4 703	784	5 487
Senegal	1 093	474	1 170	392	2 263	866	3 129
Sierra Leone			12 971	2 370	12 971	2 370	15 341
Uganda	3 175	1 707	9 531	2 543	12 706	4 250	16 956
United Republic of Tanzania	7 207	3 191	5 198	1 553	12 405	4 744	17 149
Zambia	698	236	19 159	4 717	19 857	4 953	24 810
31 December 2005 SDR	47 596	17 352	185 460	46 388	233 057	63 740	296 797
							Less future interest on debt relief not accrued (46 388)
							Total cumulative cost of debt relief as at 31 December 2005 (SDR'000) 250 409
31 December 2005 USD	67 547	24 457	264 527	66 162	332 075	90 619	422 693
							Less future interest on debt relief not accrued (66 162)
							Total cumulative cost of debt relief as at 31 December 2005 (USD'000) 356 531
Fair value adjustment							(94 294)
31 December 2005 at fair value							170 233
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

¹ See Appendix H, Note 11 (c).

Appendix H

Notes to the consolidated financial statements

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 with the exception of loans and certain receivables and liabilities which are measured at fair value and amortised cost using the effective interest method. 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 revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant judgements have been used in the calculation of the fair value and amortised cost of loans, undisbursed grants and deferred revenues in accordance with IAS 39 (revised 2003), as well as 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
- Other supplementary funds, including cofinancing, associate professional officers and programmatic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); and the Global Environment Facility
- IFAD's Debt Initiative for HIPCs Trust Fund
- IFAD's 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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The initial fair value and subsequent amortised cost are calculated by applying discount rates to the estimated future cash flows on a loan by loan basis in the currency in which the loans are denominated. The discount rates are calculated with reference to the estimated forward interest curve for the year based on the underlying currency of each loan. The discount factor applied is not adjusted for country credit risk as lending is provided directly to country governments and considered to be 'sovereign debt'. However, the outstanding loans are reviewed for impairment on a loan by loan basis and a provision established where there is objective evidence that the loans are impaired, in accordance with IAS 39 (revised 2003).

In addition, in instances where IFAD participates in debt relief under the Debt Initiative for HIPCs framework, a fair value allowance is established for the estimated impairment loss.

Although fair value accounting is required in order for IFAD to comply with International Financial Reporting Standards, these standards are not designed to apply specifically to not-for-profit activities such as those undertaken by IFAD. IFAD's management believes that there is no comparable secondary market for the type of loans provided by the Fund nor does IFAD intend to sell its loans. In addition, management believes that the presentation of financial data based on nominal values rather than fair values provides data that are more reliable, relevant and understandable. It also meets many common information needs of the users of its accounts, forms the basis for operational decisions and serves planning purposes. Therefore, a balance sheet including loans, receivables, undisbursed grants and deferred revenues on a nominal value basis has been included as Appendix B1 as deemed relevant for the users of the accounts. Reconciliations between measurement at fair value and amortised cost using the effective interest method and nominal values have been provided with respect to loans, receivables, undisbursed grants and deferred revenues (see Note 2(f)). In addition, all the values included within Appendix D Statement of Resources, Appendix E Statement of Member States' Contributions, Appendix F Statement of Loans, and Appendix G Statement of HIPC DI will all continue to be shown including data on a nominal value basis.

The Fund's investment portfolio contains investments that are held for trading, and certain selected securities that the Fund intends to hold until maturity. The Fund carries those investments that are held for trading at fair value, and those investments that are held to maturity on the basis of amortised cost. Fair value is represented by the quoted

market value at the balance sheet date. 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.

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, and other receivables including promissory notes have been recorded within the Balance Sheet at their fair value and amortised cost in accordance with IAS 39 (revised).

The policy on provisions against overdue Member States' contributions is as follows:

- (i) 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.

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.

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

Contributions received for the Debt Initiative for HIPCs 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.

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 at fair value in accordance with IAS 39 (revised 2003).

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.

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 the Belgium Survival Fund Joint Programme (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. Since 2002, IFAD is the executing agency for supervision of the Global Environment Facility.

IFAD has established two trust funds for the HIPC Debt Initiative and ASMCS, 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 reporting purposes.

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 currencies included in the

SDR basket. This statement has been included solely for the purpose of providing additional information for the readers of the accounts and is based on nominal values as stated in Note 2(a).

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
2003	1.48644
2004	1.54979
2005	1.42633

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

	USD '000	
	2005	2004
Opening balance at 1 January	939 470	690 797
Exchange movements for the year on:		
Cash and investments	(165 559)	84 093
Equities	(1 074)	7 586
Held to maturity Investments	(20 705)	-
Net receivables/payables	818	674
Loans and grants outstanding	(216 684)	155 937
Promissory notes and Members' receivables	(40 641)	23 166
Member States' contributions	<u>38 625</u>	<u>(22 783)</u>
Total movements in the year	(405 220)	248 673
Closing balance at 31 December	<u>534 250</u>	<u>939 470</u>

The movement on this account excludes the gain/loss related directly to operations, which instead is included in Total Foreign Exchange Rate Movements.

(d) 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, net investment payables and investments held to maturity are excluded from readily convertible investments for cash-flow purposes in accordance with the related accounting standard.

(e) 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 (a) above.

(iii) As described in Note 2(a), promissory notes and commitments for loans (undisbursed effective loans, approved loans signed but not yet effective and loans not yet signed) and undisbursed grants are recorded at nominal value within the Statement of Resources Available for Commitment as this is an operational report for management purposes only and therefore is not subject to financial reporting requirements of IAS 39 (revised).

(iv) 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 was used in 2005, as regular resources were not 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.

(f) Accounting Changes

In 2005, IFAD has revised its accounting policy in relation to the basis of valuation of its loan portfolio, contributions receivables, promissory notes, undisbursed grants and deferred revenues in order to comply with certain changes to IAS 39 (revised 2003) which are applicable from 1 January 2005. Prior to 2005, IFAD valued the aforementioned assets and liabilities at nominal value. From 1 January 2005, IFAD will value them initially at estimated fair value and subsequently at amortised cost. The impact of this change is shown below on the balance sheet values as at 31 December 2005.

	Prior to Change	USD'000 Impact of Change	Restated Balance
Contributors' promissory notes	322 850	(15 254)	307 596
Contributions receivables	241 855	(11 425)	230 430
Loans outstanding	4 003 639	(1 173 357)	2 830 282
Less: accumulated allowance for loan impairment losses	(140 634)	89 354	(51 280)
Less: accumulated allowance for HIPC DI	<u>(264 527)</u>	<u>94 294</u>	<u>(170 233)</u>
Net loans outstanding	3 598 478	(989 709)	2 608 769
Undisbursed grants	(79 657)	8 592	(71 065)
Deferred revenues	(71 384)	5 403	(65 981)
Total contributions	(4 639 97)	21 273	(4 618 124)
Total Retained Earnings	(1 530 613)	981 120	(549 493)

The impact of this change may be also analysed as follows:

	USD'000		
2005 Total Revenue less expenses	Foreign Exchange Movement	2004 Retained Earnings	Total Impact of Change
71 521	90 167	(1 142 808)	(981 120)

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.

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. 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.

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."

(b) Accumulated Allowance for Impairment Losses

The allowance is based on the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate (i.e. the effective interest rate calculated at initial recognition). 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	
	2005	2004
Balance at beginning of year	114 060	60 525
Net increase in allowance	35 872	48 991
Revaluation	(9 298)	4 544
Balance at end of year at nominal value	140 634	114 060
Fair value adjustment	(89 354)	
Balance at fair value	51 280	

(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 2005 would have been greater by USD 2 935 000 (2004 – USD 2 893 000). The corresponding figures relating to SPA were USD 58 000 (2004 – USD 52 000). The Member States concerned are shown below:

(i) Borrowers in Non-Accrual Status – IFAD

	USD '000			
	31 December 2005			
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2005	In Arrears Since
Central African Republic	30 361	3 756	309	May 2001
Cuba	11 850	11 850	489	Sep 1989
Democratic Republic of the Congo	24 401	6 570	253	Feb 1993
Equatorial Guinea	2 067	70	6	Apr 2005
Guinea-Bissau	6 255	1 360	65	Nov 1995
Liberia	14 520	10 816	436	Nov 1995
Seychelles	503	309	41	Jan 2002
Sierra Leone	22 776	2 338	249	Mar 1998
Solomon Islands	3 164	456	33	Apr 2001
Somalia	24 673	11 019	255	Jan 1991
Togo	22 885	2 896	225	Sep 2000
Zimbabwe				Oct 2001
	<u>23 636</u>	<u>7 445</u>	<u>574</u>	
Total	187 091	58 885	2 935	

(ii) **Borrowers in Non-Accrual Status – SPA**

	USD '000			
	Principal Outstanding	Principal Overdue	Income not Accrued In 2005	In Arrears Since
Guinea-Bissau	2 919	569	30	Dec 1995
Sierra Leone	2 093	80	22	Mar 1998
Comoros	<u>2 289</u>	<u>79</u>	<u>6</u>	Mar 2005
Total	7 301	728	58	

The income from loans reported in the Statement of Revenues and Expenses for 2005 includes USD 31 000 (2004 – USD 712 000) 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**

The following balances are all shown at nominal value.

	USD '000	
	2005	2004
IFAD approved loans less cancellations and adjustment for movement in value of total SDR loans in terms of USD (Appendix F)		
USD '000		
2005 – USD 7 544 030		
2004 – USD 7 742 200		
Effective loans		7 015
	6 785 351	660
Undisbursed balance of effective loans	(1 936 172)	(2 111 713)
Repayments	(1 134 643)	(1 074 194)
Interest/principle receivable	<u>13 827</u>	<u>18 425</u>
Loans outstanding at nominal value	3 728 363	<u>3 848 178</u>
Fair value adjustment	<u>(1 061 863)</u>	
Loans outstanding at fair value	2 666 500	
SPA approved loans less cancellations and adjustment for movements in value of total SDR loans in terms of USD (Appendix F)		
USD '000		
2005 – USD 321 504		
2004 – USD 349 503		
Effective loans	321 504	349 503
Undisbursed balance of effective loans	(3 160)	(9 844)
Repayments	(43 855)	(35 535)
Interest/principle receivable	<u>787</u>	<u>906</u>
Loans outstanding at nominal value	275 276	<u>305 030</u>
Fair value adjustment	<u>(111 494)</u>	
Loans outstanding at fair value	<u>163 782</u>	

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

USD '000

2005 – USD 7 865 534

2004 – USD 8 091 703

Effective loans	7 106 855	7 365 163
Undisbursed balance of effective loans	(1 939 332)	(2 121 557)
Repayments	(1 178 498)	(1 109 729)
Interest/principle receivable		<u>19 331</u>
	<u>14 614</u>	
Loans outstanding at nominal value	4 003 639	<u>4 153 208</u>
Fair value adjustment	<u>(1 173 357)</u>	
Loans outstanding at fair value	<u>2 830 282</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 the first quarter of 2005, IFAD liquidated the remaining equities portion of the Investment Portfolio and funded the Held-to-Maturity portfolio invested in high-quality bond instruments for an amount of approximately USD 400 million. Following the funding of the Held-to-Maturity portfolio, the former policy allocation was proportionally redistributed across asset classes of resulting in 5.5% in cash, 49% in government bonds, 25.5% in diversified fixed-interest instruments and 20% in inflation-indexed bonds.

Since 1994, management of the major part of IFAD's investment portfolio has been entrusted to external investment managers under investment guidelines provided by the Fund. At 31 December 2005, funds under external management amounted to USD 2 042.1 million (2004 – USD 2 395.4 million), representing some 82.9% (2004 – 88.7%) of total cash and investments.

(c) **Risk Management**

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

(i) **Credit Risk:** The investment guidelines permit investments in time deposits with selected commercial banks, government and government-guaranteed bonds,

corporate bonds, bonds issued by multilateral development banks and exchange-traded derivatives (except for covered forwards) 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 changes in securities market 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 seek higher 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 sub portfolio, 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	
	2005	2004
Number of contracts open:		
Buy	547	967
Sell	438	950
Net unrealized (losses)/gains of open contracts (USD '000)	(544)	15
Maturity range of open contracts	67 to 352 days	31 to 437 days

The underlying instruments of future contracts open at 31 December 2005 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	
	2005	2004
Number of contracts open:		
Buy		
Sell	323	225
Market value of open contracts gain/(loss) (USD '000)	14	(59)
Net unrealized (losses)/gains of open contracts (USD '000)	(141)	37
Maturity range of open options	170 to 261 days	49 to 77 days

The underlying instruments of option contracts open at 31 December 2005 were government bonds.

(iii) Covered Forwards: The unrealized market-value gain on forward contracts at 31 December 2005 amounted to USD 2 303 000 (2004 – loss of USD 898 000). The maturity of forward contracts at 31 December 2005 ranged from 4 to 79 days (31 December 2004 – 6 to 76 days).

The underlying instruments of forward contracts open at 31 December 2005 were currencies.

(e) Income from Cash and Investments

The gross income from cash and investments for the year ended 31 December 2005 amounted to USD 74 653 000 (2004 – gross income of USD 115 934 000). This figure is gross of direct charges against investment income of USD 3 513 000 (2004 – USD 6 633 000), which are included in expenses.

	USD '000	
	2005	2004
Interest from fixed-income investments	82 028	74 854
Dividend income from equities	755	6 204
Net income from futures and options	2 218	4 257
Realized capital (loss)/income from fixed-income securities	(9 645)	6 755
Realized capital gain/loss from equities	4 496	18 782
Unrealized (loss)/gain from fixed-income securities	(11 543)	1 666
Income from securities lending and commission recapture	802	738
Interest income from banks and non-convertible currencies	5 542	2 678
Total	74 653	115 934

The above figures include income from the HTM portfolio of USD 10.2 million.

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

	USD '000	
	2005	2004
IFAD	71 693	115 239
ASMCS Trust Fund	545	360
Debt Initiative for HIPCs Trust Fund	1 430	810
BSF.JP	305	343
Other supplementary funds	1 755	628
Less: income deferred /reclassified	(1 075)	(920)
Less: ASMCS accounting gain	-	(526)
Total	74 653	115 934

The annual rate of return on consolidated cash and investments in 2005 was positive 3.1 % gross of expenses and positive 2.9% net of expenses (2004 – positive 4.6% gross of expenses, positive 4.4% net of expenses). The annual rate of return on IFAD cash and investments in 2005 was 3.1% positive gross of expenses and 2.95% positive net of expenses (2004 – 4.7% positive gross of expenses, 4.5% 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	
	2005	2004
Service charges	332	120
Host Government income	8 613	7 876
Income from other sources	<u>847</u>	<u>587</u>
Total	<u>9 792</u>	<u>8 583</u>

Note 6: Contributions Income

	2005	2004
Supplementary Funds	13 541	15 496
BSF.JP	4 236	2 963
HIPC DI	<u>2 931</u>	<u>31 177</u>
Total	<u>20 708</u>	<u>49 636</u>

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, excluding the President and Vice President, at 31 December was as follows:

IFAD Posts	2005	2004
Professional	149.5	144.0
General Service	<u>167.5</u>	<u>172.5</u>
Total	<u>317.0</u>	<u>316.5</u>

The number of staff on the payroll of the Fund and other consolidated entities by principal budget source as at 31 December 2005 was as follows:

	Professional	General Service	Total
IFAD admin. budget	168	265	433
IFAD PDFF	14	30	44
IFAD other sources	14	35	49
BSF.JP	1	4	5
APO	14	-	14
Programmatic funds	18	6	24
Total 2005	<u>229</u>	<u>340</u>	<u>569</u>
Total 2004	<u>216</u>	<u>287</u>	<u>503</u>

The difference between approved posts and number of staff engaged on the payroll consists in staff engaged on temporary contracts. The above figures include 56 staff on temporary contracts at daily rates as at 31 December 2005; in 2004 staff with similar contracts were paid outside of the payroll.

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. The results for the actuarial valuation as of 31 December 2005 were not available at the time of preparation of the accounts. 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 2005 amounted to USD 6 798 000 (2004 – USD 6 250 000). 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. 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.

The latest available actuarial valuation was carried out as at 31 December 2005 as contained in a report issued in March 2006. The methodology used was the projected unit-credit-cost method with service prorate. The principal actuarial assumptions used were as follows: discount rate, 4.5%; expected salary increases, 2.5%; medical cost increases, 6.5% in 2006, declining linearly to 4.5% over 10 years; and inflation, 2.0%; exchange rate Euro:USD 1.13. The results determined IFAD's share of the unfunded liability as at 31 December 2005 to be some USD 27.9 million. The 2005 and 2004 financial statements include a provision and related assets constituted as follows as at 31 December:

	USD million	
	2005	2004
Past service costs		
Total provision brought forward	15.0	23.3
Total 2005 charge	11.1	-
Reclassification of current service charge	1.8	-
Recording of accounting gain	<u>—</u>	<u>(8.3)</u>
Provision carried forward	<u>27.9</u>	<u>15.0</u>
Current service costs		
Provision brought forward	1.0	4.0
Charge in year	0.8	1.0
Recording of accounting gain	-	(3.5)
Reclassification of accrual	-	(0.5)
Reclassification of current service costs	<u>(1.8)</u>	<u>—</u>
Cumulative provision	<u>—</u>	<u>1.0</u>
Total costs charged/(released) in year	<u>11.1</u>	<u>(12.3)</u>
Interest earned		
Interest brought forward	0.4	0.5
Recording of accounting gain	-	(0.5)
Reclassification of interest earned	(0.9)	-
Interest earned on balances	<u>0.5</u>	<u>0.4</u>
Cumulative interest earned	<u>—</u>	<u>0.4</u>
Total assets at 31 December	<u>27.9</u>	<u>16.4</u>

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2005, such costs included within staff salaries and benefits in the financial statements amounted to USD 800 000 (2004 – USD 993 000 including some USD 136 000 relating to the prior year).

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	
	2005	2004
Investment management fees	(3 890)	(5 717)
Net other charges	(765)	(267)
Tax Recoverable Received	<u>1 548</u>	<u>—</u>
Total	<u>(3 107)</u>	<u>(5 984)</u>

In 2005, IFAD received reimbursement of taxes withheld on investment income in prior years. For more details see note 21(b).

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 are 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	
	2005	2004
ILC	638	1 400
GM	<u>—</u>	<u>1 250</u>
Total	<u>638</u>	<u>2 650</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 1998-2005. Details of funding from external donors on a cumulative basis are found in Appendix E1.

(b) Impact of the Debt Initiative for HIPC

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

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

For a summary of debt relief reimbursed since the start of the Debt Initiative and of that expected in the future, please refer to Appendix G. Debt relief approved by the Executive Board to date excludes all amounts relating to the enhanced Debt Initiative for Burundi, the Central African Republic, the Comoros, the Congo, Côte d'Ivoire, 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 2006-2008. At the time of preparation of the 2005 financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was USD 179 029 000 (2004 – USD 156 355 000).

Gross investment income amounted to USD 1 430 000 (2004 – USD 810 000) from Debt Initiative trust fund balances.

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

	USD '000		
	2005	Movement	2004
IFAD contributions 1998-2005	59 670	-	59 670
Short fall between debt relief approved and funds available	210 269	68 232	142 037
Cumulative net exchange-rate movements	19 656	(20 894)	40 550
Total IFAD cumulative cost	289 595	47 338	242 257
Total contributions from external sources (Appendix E1)	62 928	2 931	59 997
Cumulative net investment income	4 008	1 429	2 579
Total (Appendix G)	356 531	51 698	304 833

(c) Accumulated Allowance for the Debt Initiative for HIPCs

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	
	2005	2004
Balance at beginning of year	240 112	255 972
Repayments of principal	(19 459)	(21 853)
Change in provision	64 768	(4 019)
Less exchange-rate movements	<u>(20 894)</u>	<u>10 012</u>
Balance at end of year	264 527	<u>240 112</u>
Fair value adjustment	<u>(94 294)</u>	
Fair value equivalent	<u>170 233</u>	

Note 12: Cash and Investment Balances

(a) Analysis of Balances

	USD '000	
	2005	2004
Unrestricted cash	249 762	172 346
Cash subject to restriction (Note 12(b))	<u>69</u>	<u>332</u>
Total	<u>249 831</u>	<u>172 678</u>
Unrestricted investments	2 384 115	2 688 674
Investments subject to restriction (Note 12(b))	<u>655</u>	<u>386</u>
Total	<u>2 384 770</u>	<u>2 689 060</u>

(b) Cash and Investments Subject to Restriction

(i) Currencies Not Freely Convertible: Cash and investments held by the Fund at 31 December 2005 in currencies not freely convertible amounted to USD 69 000 (2004 – USD 332 000) and USD 655 000 (2004 – USD 386 000), 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 2005, cash and investments at market value amounted to USD 2 477 006 000, excluding restricted and non-convertible currencies (2004 – USD 2 698 821 000), and comprised the following instruments:

	USD '000	
	2005	2004
Cash	249 762	172 346
Fixed-income instruments	2 173 20	2 102 98
Unrealized market-value gain/(loss) on forward contracts	2 303	(898)
Time deposits and other obligations of banks	208 372	309 681
Equities	-	278 475
Futures	306	(1 224)
Options	<u>14</u>	<u>(59)</u>
Total cash and investments	2 633 77	2 861 20
Receivables for investments sold	87 983	40 176
Payables for investments purchased	<u>(244 54)</u>	<u>(202 374)</u>
Total	<u>2 477 06</u>	<u>2 698 821</u>

Fixed income investments include USD 390.9 million in held to maturity investments as at 31 December 2005 (2004: nil). See Note 12 (f) for further details.

(d) Composition of the Investment Portfolio by Currency

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

	USD '000	
	2005	2004
Euro	732 032	752 169
Japanese yen	327 251	387 379
Pound sterling	219 315	320 708
United States dollar	1 162 038	1 175 746
Others	<u>36 370</u>	<u>62 819</u>
Total	<u>2 477 006</u>	<u>2 698 821</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	
	2005	2004
Due in one year or less	672 958	580 880
Due after one year through five years	1 182 698	1 204 964
Due from five to ten years	169 883	230 875
Due after ten years	451 467	403 947
No fixed maturity (equities)	-	278 155
Total	<u>2 477 006</u>	<u>2 698 821</u>

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2005 was 81 months (2004 – 80 months).

(f) Held to Maturity Investments (in USD'000)

	USD	Euro	All Currencies
Cash	10 915	1	10 916
Corporate Bonds	29 875	71 596	101 471
Government Agencies	80 115	37 188	117 303
Government Bonds	20 190	70 500	90 690
Supranationals	60 367	10 133	70 500
Total	<u>201 462</u>	<u>189 418</u>	<u>390 880</u>

The maturity structure of held to maturity investments as at 31 December 2005 is as follows:

Period Due	USD'000
Less than one year	88 304
1-2 years	77 104
2-3 years	76 181
3-4 years	76 730
4-5 years	72 561
	<u>390 880</u>

All investments above have a maturity of more than 3 months from the date of purchase.

Note 13: Contributors' Promissory Notes and Receivables

	USD '000	
	2005	2004
Promissory notes to be encashed		
Replenishment contributions	298 14	352 804
BSF contributions	<u>24 236</u>	<u>31 522</u>
Total	322 50	<u>384 326</u>
Fair value adjustment	<u>(15 254)</u>	
Promissory notes to be encashed at fair value	<u>307 596</u>	
Contributions receivable		
Replenishment contributions	213 520	351 569
BSF contributions	12 958	-
Supplementary contributions	<u>15 377</u>	<u>7 857</u>
Total	<u>241 855</u>	<u>359 426</u>
Fair value adjustment	<u>(11 425)</u>	
Contributions receivable at fair value	<u>230 430</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 2005

Donor	Replenishment	Amount
		USD '000
Argentina	Fifth	1 500
Australia ¹	Fifth	2 724
Brazil ¹	Fifth	2 639
France ¹	Fifth	11 496
Germany ¹	Fifth	18 390
Nigeria	Fifth	3 500
Pakistan	Fifth	667
Switzerland ¹	Fifth	1 768
United Kingdom of Great Britain and Northern Ireland ^{1,2}	Fifth	21 341

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

² Part of this balance relates to a Promissory Note not deposited as at 31 December 2005.

(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) Seventh Replenishment

Details of advance payments to the Seventh Replenishment are shown in Appendix E.

(d) 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

The fair value of the provisions is equivalent to the nominal value given that the underlying receivables/promissory notes are already due at the balance sheet date.

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

	USD '000	
	2005	2004
Balance at beginning of the year	176 292	180 671
Total movements	<u>(6 933)</u>	<u>(4 379)</u>
Balance at end of year	<u>169 359</u>	<u>176 292</u>
Analysed as:		
Promissory notes of contributors (a)	80 898	83 152
Amounts receivable from contributors (b)	<u>88 461</u>	<u>93 140</u>
Total	<u>169 359</u>	<u>176 292</u>

(a) Provisions against Promissory Notes

As at 31 December 2005, 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 65% (31 December 2004 – 100% up to the Fifth Replenishment and 30% of Sixth Replenishment).

As at 31 December 2005 and 2004, all First and Second Phase SPA contributions have been fully drawn down.

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

IFAD	USD '000	
	2005	2004
(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	<u>31 099</u>	<u>31 099</u>
	31 099	31 099
(iii) Second Replenishment		
Mauritania	2	2
Qatar	-	<u>2 254</u>
	2	2 256
(iv) Third Replenishment		
Democratic People's Republic of Korea	600	600
Libyan Arab Jamahiriya	6 087	6 087
Mauritania	<u>25</u>	<u>25</u>
	<u>6 712</u>	<u>6 712</u>
Total IFAD	<u>80 888</u>	<u>83 142</u>

SPA		
First Phase		
Mauritania	<u>10</u>	<u>10</u>
Total SPA	<u>10</u>	<u>10</u>
GRAND TOTAL	<u>80 898</u>	<u>83 152</u>

(b) Provisions against Amounts Receivable from Contributors

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

	USD '000	
	2005	2004
(i) Initial Contributions		
Comoros	9	10
Iran (Islamic Republic of)	<u>83 167</u>	<u>83 167</u>
	83 176	83 177
(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
Sao Tome and Principe	<u>10</u>	<u>10</u>
	2 410	3 410
(iv) Fourth Replenishment		
Kenya	<u>504</u>	<u>821</u>
	504	821
(v) Fifth Replenishment		
Turkey	-	<u>3 361</u>
Total	<u>88 461</u>	<u>93 140</u>

Note 15: Other Receivables

	USD'000	
	2005	2004
Receivables for investments sold	87 983	40 176
Miscellaneous	<u>19 481</u>	<u>17 330</u>
Total	<u>107 464</u>	<u>57 507</u>

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

Note 16: Payables and Liabilities

	USD'000	
	2005	2004
Payables for investments purchased	(244 854)	(202 375)
ASMCS liability	(27 919)	(15 900)
Other payables and accrued liabilities	<u>(47 065)</u>	<u>(33 374)</u>
Total	<u>(319 838)</u>	<u>(251 649)</u>

Of the total above, some USD 58.0 million (2004 – USD 42.9 million) is estimated to be payable in more than one year from the balance-sheet date.

Note 17: Deferred Revenues

	USD '000	
	2005	2004
Deferred contributions	(62 493)	(35 750)
Deferred income	<u>(3 488)</u>	<u>(4 674)</u>
Total	<u>(65 981)</u>	<u>(40 424)</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.

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 ten 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

In 2005, the Italian Government reimbursed Euro 1.2 million (USD 1.5 million equivalent) of taxation deducted on investment income in prior years. These costs were fully provided for in previous years and recorded as a contingent asset as the exact amount of and the year in which the reimbursement was to be made was not certain. This amount has now been reimbursed in full and recorded in direct bank and investment costs (see Note 8).

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 April 2006 and endorsement by the Executive Board in April 2006. The 2005 financial statements will be submitted to the Governing Council for formal approval at its next session in February 2007. The 2004 financial statements were approved by the Governing Council at its Twenty-Ninth Session in February 2006.

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 2005. 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome,