IFAD10 financial framework

June 2014
Summary

• IFAD’s funding structure

• Introduction of the sustainable cash flow (SCF) approach for determining Programme of Loans and Grants (PoLG)
  - Reasons
  - Rationale of SCF and meaning

• Status of IFAD9

• Scenarios for IFAD10
Funding needs and sources, past replenishments

- IFAD’s PoLG increased dramatically from IFAD6 to IFAD8 and stabilized in IFAD9
- The total resource requirements were funded, on average, 35% through external contributions and 65% through internal resources and future net flows

![Bar chart showing financing requirements and sources for IFAD6, 7, 8, and 9:]

- Total resource requirements
- Target replenishment
Sustainable cash flow approach for PoLG determination

• 9th Replenishment: introduction of SCF approach for determining the PoLG to consider IFAD’s long-term financial sustainability

• IFAD’s financial sustainability: Ability to maintain a constant real level of future PoLG for an assumed constant real level of core contributions, while always maintaining the liquidity at or above the minimum liquidity requirement

• With the above safety constraint, IFAD maximizes the PoLG for a given level of core contributions
SCF approach for PoLG determination
Status of IFAD9

- Need for additional resource mobilization to reach a PoLG of US$3.0 billion in IFAD9 as communicated during the February Replenishment Consultation Session

- Financial prospects showed improving trend after annual update of financial model and revised assumptions

- Projected need for additional resources decreased from approximately US$500 million to approximately US$400 million over IFAD9

- Management proactively addressing the issue with a number of alternative plans
Actual funding sources – IFAD8, IFAD9, and proposed IFAD10 medium scenario
Three main scenarios for core contributions
(in US$ millions)

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<th>Low scenario</th>
<th>Medium scenario</th>
<th>High scenario</th>
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<tbody>
<tr>
<td>Programme of loans and grants</td>
<td>2 800</td>
<td>3 000</td>
<td>3 200</td>
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<tr>
<td>Required core contributions</td>
<td>1 338</td>
<td>1 437</td>
<td>1 534</td>
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<td>Number of people taken out of poverty</td>
<td>70 million</td>
<td>80 million</td>
<td>90 million</td>
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All scenarios respect the constraint of being cash-flow sustainable and rely on core contributions* only as funding source

* Core contributions = Unrestricted, stable traditional funding sources linked to voting rights
IFAD10 PoLG medium scenario: US$3 billion
Total IFAD10 resource requirements: US$3.6 billion supported by:

- External resources (Core contributions): US$ 1.4 billion
- Internal resources and future net flows: US$ 2.2 billion
Thank you

Q/A