Review of the Status of the Debt Sustainability Framework (DSF)

7 October 2014
Background

- DSF implemented by IFAD in 2007
- Members committed to compensate for DSF foregone principal repayments
- Management committed to present, during IFAD9, a proposal to the Executive Board on compensation mechanisms
- Proposal presented to Audit Committee in November 2013 and endorsed by the EB in December 2013
Next steps

• Endorsement of compensation mechanism by Member States during IFAD10 Consultations – October 2014

• Approval by Governing Council in February 2015 as part of the IFAD10 Resolution
Compensation mechanism

- Contribution for foregone principal repayments on a **pay-as-you-go basis**
- First **impact in IFAD10 (2018)**
- **Basis for calculating Member’s share**: pro-rata to pledges for the replenishment period in which the respective DSF grants were committed
- Approach **in line with IFI practice** (AfDF specifically)
- **Threshold** of US$10,000 as minimum expected compensation*

*All amounts below this threshold are to be aggregated and distributed among countries with higher compensation shares on a proportional basis*
Compensation mechanism cont’d.

- DSF beneficiaries **excluded** from compensation obligation
- In principle, DSF contributions is **in addition to core contributions**
- Option for contributors to make a combined **pledge** (core + DSF) or separate pledges
- The full assessed DSF compensation will always will be **deducted first**
- DSF compensation contributions to **carry voting rights**
Financial impact

• Foregone principal repayments calculated on the assumption that resources to DSF countries would have been provided as Highly Concessional Term Loans

• DSF approvals 2007-2013: US$1.2 billion

• Financial impact over IFAD10 (total foregone principal repayments): **US$3.4 million** to be apportioned based on the respective percentages of pledges of Member States in IFAD7

• Financial impact over IFAD11: **US$40.1 million**; over IFAD12: **US$104.1 million**