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Enabling poor rural people  
to overcome poverty

## **Examination of the assumptions and projections contained within the papers:**

### **“Financing requirements and modalities for IFAD9” and “ACA implications for future replenishments”**

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Consultation on the Ninth Replenishment of IFAD's Resources —Third  
Session  
Rome, 24-25 October 2011

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**For: Information**

## **Examination of the assumptions and projections contained within the papers:**

### **“Financing requirements and modalities for IFAD9” and “ACA implications for future replenishments”**

1. At the second session of the Consultation on the Ninth Replenishment of IFAD’s Resources (IFAD9), the paper Financing requirements and modalities for IFAD9: Review of the adequacy of IFAD’s resources to combat rural poverty (REPL.IX/2/R.5) was presented to Members. This paper provided estimated resource requirements and discussed modalities for financing a range of programme of loan and grant scenarios for the period 2013-2015.
2. As part of the conclusion to discussions on the paper Members requested that Management arrange for IFAD’s external auditor to review the assumptions and projections used in the financial modelling underlying it, and the paper ACA implications for future replenishments (EB 2010/102/48.) presented to the 102<sup>nd</sup> session of the Executive Board.
3. The attached report prepared by PWC responds to this request. The outcome of PWC’s assessment is a negative assurance on the underlying assumptions used in the financial model, and positive assurance on the validity of the historical data used and the resultant projections. Taken together, these assurances equate to a clean audit opinion.



**EXAMINATION OF THE ASSUMPTIONS AND PROJECTIONS  
CONTAINED WITHIN THE PAPERS:**

- **“FINANCING REQUIREMENTS AND MODALITIES FOR  
IFAD9”, AND**
- **“ACA IMPLICATIONS FOR FUTURE REPLENISHMENTS”**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT  
FINANCIAL MODEL**



## **EXAMINATION OF THE ASSUMPTIONS AND PROJECTIONS CONTAINED WITHIN THE PAPERS:**

- **“FINANCING REQUIREMENTS AND MODALITIES FOR IFAD9”, AND**
- **“ACA IMPLICATIONS FOR FUTURE REPLENISHMENTS”**

To the International Fund for Agricultural Development

We have examined the assumptions and projections contained within the papers “Financing requirements and modalities for IFAD9” and “ACA implications for future replenishments” (the “Papers”) as well as the Papers’ underlying financial model (the “Financial Model”). Management is responsible for the projections including the assumptions set out in the Papers attached hereto on which they are based.

The projections included in the Papers have been prepared for purposes of the Consultation on the Ninth Replenishment of IFAD’s resources using hypothetical assumptions about future events that are not necessarily expected to occur. Consequently, readers are cautioned that these projections may not be appropriate for purposes other than that described above.

## **SCOPE OF OUR WORK**

We conducted our work in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. The objective of our examination was to:

- (i) Review the reasonableness of the assumptions made in the Papers given the information available at the time and check the consistency of the assumptions with those of other departments within IFAD.
- (ii) Review the consistency of the historical data used in the modelling exercise with IFAD’s audited financial statements or related supporting documentation.
- (iii) Review the validity of the modelling methodology under a logical and arithmetic point of view, checking that the outcomes forecast and presented in the Papers are in line with what could reasonably be expected to occur given the base assumptions.

## **THE DOCUMENTATION**

Our examination was performed on the basis of the following documentation:

- “Financing requirements and modalities for IFAD9” (Appendix A).
- “ACA implications for future replenishments” (Appendix B).
- Financial model “PWC Scenario 1 – full resource mob.xls” (Appendix C) corresponding to Scenario 1 of Table 3 of the paper “Financing requirements and modalities for IFAD9”.

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## CONCLUSIONS

Based on our examination of the evidence supporting the methodological approach and the estimation criteria utilised for the assumptions contained within the Papers, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projections utilised for detailing the financial requirements for IFAD's Ninth Replenishment proposition.

Further, in our opinion:

- the FY2010 historical data contained within the Papers and the Financial Model are consistent with FY2010 IFAD's audited financial statements or related supporting documentation, except for (i) the total of grants and loans approved but not effective and (ii) the breakdown of loans approved but not effective as highly concessional, intermediate, ordinary and hardened, which are not presented in IFAD's audited financial statements but which are consistent with supporting documentation; and
- the projections are properly prepared on the basis of the assumptions in that the formulae, algorithms and calculations contained in the Financial Model are logically integral, internally consistent and arithmetically accurate and the Financial Model is able to generate outputs which are consistent with the assumptions and inputs utilized.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material.

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Rome, 13 September 2011

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