

# Financial Regulations of IFAD

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**These Financial Regulations were adopted by the Governing Council at its First Session on 15 December 1977\*.**

- The Governing Council amended Regulation IV.1 of the Financial Regulations in paragraph 2 of its Resolution 100/XX, which was adopted on 21 February 1997 and entered into force on the same date.
- The Governing Council, at its Twenty-Seventh Session amended Regulation VI.2, by adopting Resolution 133/XXVII.
- The Governing Council, at its Thirty-Fifth Session amended Regulations II, VI, VIII.2, XII.1 and XIII, by adopting Resolution 168/XXXV.
- The Governing Council, at its Forty-First Session amended Regulation XIII, by adopting Resolution 199/XLI.
- The Governing Council, at its Forty-Fourth Session amended Regulation V, paragraph 3 and Regulation X paragraph 1, by adopting Resolution 222/XLIV.
- The Governing Council, at its Forty-Seventh Session amended Regulation XII, paragraph 6, by adopting Resolution 236/XLVII.

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\* In this document, the generic masculine is used for conciseness purposes only: it applies to both women and men.

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# Regulation I

## Applicability

These regulations shall govern the financial administration of the Fund and shall be interpreted in accordance with the Agreement.

# Regulation II

## Definitions

For the purpose of these Regulations:

- (a) "Administrative budget" means the annual administrative budget of the Fund referred to in article 6, section 10 of the Agreement Establishing IFAD, which shall consist of a regular budget, a capital budget and an Independent Office of Evaluation of IFAD budget;
- (b) "Agreement" means the Agreement Establishing the Fund;
- (c) "Capital budget" means the category of the administrative budget voted by the Governing Council for commitments and payments to finance capital items, the cost of which are normally written off over a number of financial years making up the estimated useful life of the asset;
- (d) "Executive Board" means the Executive Board of the Fund;
- (e) "Fund" means the International Fund for Agricultural Development;
- (f) "Governing Council" means the Governing Council of the Fund;
- (g) "Independent Office of Evaluation of IFAD budget" means the category of the administrative budget voted by the Governing Council for the administration of the Independent Office of Evaluation of IFAD;
- (h) "Member" means a Member of the Fund;
- (i) "President" means the President of the Fund or any person acting in place of the President;
- (j) "Regular budget" means the category of the administrative budget voted by the Governing Council for the administration of the Fund, excluding the Independent Office of Evaluation of IFAD and the capital budget; and
- (k) "SDR" means the Special Drawing Right of the International Monetary Fund.

# Regulation III

## Financial Year

The financial year of the Fund shall begin on 1 January and end on 31 December of each year.

# Regulation IV

## Resources

1. The resources of the Fund shall consist of contributions received by the Fund and the funds derived or to be derived from operations or otherwise accruing to the Fund in accordance with Article 4.1 of the Agreement.
2. The resources of the Fund shall be used in accordance with the provisions of the Agreement.

# Regulation V

## Drawdowns

1. Drawdowns shall be applied to contributions as follows:
  - (a) in the case of promissory notes or obligations, drawdowns shall mean encashment; and
  - (b) in the case of cash, drawdowns shall mean the use of cash, other than income, for operations or for administrative or other expenditures.
2. Contributions of original Members whose membership becomes effective after the entry into force of the Agreement, shall be drawn down, to the extent necessary, before further drawdowns of the contributions of those Members whose membership became effective earlier, so as to achieve the same proportionate level of drawdowns for all Members.
3. Contributions shall be drawn down on a pro rata basis, over such reasonable periods of time as determined in each replenishment resolution to meet estimated disbursements over the following period.
4. The Executive Board shall determine the manner in which these principles shall be applied to the initial contributions of non-original Members.
5. For the purpose of all calculations relating to drawdowns, the initial contribution of a Member shall include the whole amount of such contribution, whether or not payable in instalments.

# Regulation VI

## Administrative Budget

1. The President shall submit an annual administrative budget estimate to the Executive Board for transmission to the Governing Council for approval by a two-thirds majority of the total number of votes.
2. The appropriations for the regular budget and for the Independent Office of Evaluation of IFAD budget voted by the Governing Council for the ensuing financial year shall constitute an authorization to the President to incur obligations and make payments for the purpose for which the appropriations were voted. All unobligated appropriations under the regular budget and the Independent Office of Evaluation of IFAD budget, respectively, at the close of the financial year may be carried forward into the following financial year up to an amount not exceeding 3 per cent.

3. To meet the Fund's requirements the President may, with the approval of the Executive Board, reallocate funds between categories of the administrative budget.
4. Without prejudice to paragraph 3 above, the appropriations for the capital budget voted by the Governing Council for the ensuing financial year shall constitute an authorization to the President to incur obligations and make payments for the purpose for which the appropriations were voted.
  - (i) The appropriations for the capital budget voted by the Governing Council shall be used exclusively for commitments and payments to finance long-term outlays.
  - (ii) All unobligated appropriations under the capital budget voted by the Governing Council at the close of the third financial year shall be cancelled unless the Governing Council decides otherwise.

## Regulation VII

### Budgetary Projections

As part of the annual budgetary process, the President shall prepare for consideration by the Executive Board medium-term budgetary projections on the basis of projected income flows to the Fund from all sources and projected operational plans and disbursements covering the same period. The assumptions underlying the projections shall reflect principles of sound financial planning.

## Regulation VIII

### Investment of Funds

1. The President may place or invest cash funds, not needed immediately for the Fund's operations or administrative expenditures.
2. In investing the resources of the Fund, the President shall be guided by the paramount considerations of security and liquidity. Within these constraints, and subject to the policy statement laid down by the Executive Board, the President shall seek the highest possible return in a non-speculative manner.
3. 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.

## Regulation IX

### Procurement and Control of Equipment and Supplies

Equipment, supplies and other requirements for servicing the Fund shall be procured and, when necessary, disposed of in accordance with rules prescribed by the President.

# Regulation X

## Internal Control

1. Consistent with well-recognized international standards of financial management and accountancy, the President shall:
  - (a) Establish detailed financial rules and procedures in order to ensure:
    - (i) Effective financial administration and the exercise of economy;
    - (ii) Effective custody of the physical assets of the Fund; and
    - (iii) That all payments are made on the basis of relevant supporting evidence;
  - (b) Designate the officers who may receive moneys, incur commitments or obligations and make payments on behalf of the Fund;
  - (c) Establish and maintain appropriate internal financial control and audit systems.
  - (d) Establish, maintain and implement an appropriate internal control framework.
2. Commitments or obligations shall not be incurred and payments shall not be made unless an appropriate authorization has been made in writing under the authority of the President.
3. The President may, after full investigation, with the approval of the Executive Board, authorize the writing-off of losses of cash, supplies, equipment and other assets, other than arrears of contributions or payments due under loan or guarantee agreements and shall inform the Executive Board.

# Regulation XI

## Accounts

1. The President shall cause such annual accounts to be maintained as shall be necessary to show properly the Fund's: (i) income and expenditures; (ii) utilization of budgetary allocations; (iii) operations; and (iv) financial position.
2. The accounting records may be kept in such currency or currencies as the President may determine, and in the SDR to the extent necessary.
3. At appropriate intervals, the Fund shall publish a summary statement of its financial position and of the results of its operations. Copies of such statements and other publications connected therewith shall be distributed to all Members.

# Regulation XII

## External Audit

1. The accounts of the Fund shall be audited at least once a year by a qualified and independent external auditor appointed by the Executive Board.

2. The audit shall be conducted in conformity with generally accepted international auditing standards, and any special directions of the Executive Board.
3. The external auditor may make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls.
4. The Governing Council may request the external auditor to undertake specific tasks and issue separate reports on the results.
5. The President shall provide the external auditor with the facilities required in the performance of the audit.
6. The Executive Board shall consider for approval at its first session of the year the report(s) of the external auditor and the audited financial statement of the Fund, including the general balance sheet and a statement of profit and loss, and submit them to the Governing Council, for information, at its annual session.

## Regulation XIII

### General Reserve

A General Reserve shall be established to cover the Fund's potential risk as a result of exchange rate fluctuations and borrowing activities, possible delinquencies in receipt of loan service payments, as well as in the recovery of amounts due to the Fund from the investment of its liquid assets.

The following dispositions shall be implemented with respect to the General Reserve:

- (a) Annual transfers from the accumulated surplus to the General Reserve shall be determined by the Executive Board after taking into account the Fund's financial position in the context of the review/approval of yearly audited financial statements of the Fund;
- (b) The ceiling of the General Reserve may be amended from time to time by the Executive Board;
- (c) Withdrawals from the General Reserve shall be subject to the prior approval of the Executive Board.

## Regulation XIV

### General Provisions

To ensure effective financial administration of the Fund, the President shall from time to time prescribe such rules, procedures and guidelines as may be necessary to implement these Regulations.



**February 2024**

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