IFAD as a Development Finance Institution

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IFAD at a glance

- **Founded in 1977** as a specialized UN Agency and Development Finance Institution
- **177 member countries** and cumulative capital contribution of US$9.4 billion
- **Provides loans and grants.** More than **US$22 billion** of financing delivered in 43 years
- **Active in 93 countries.** Purpose is to end extreme poverty and hunger and to support smallholder agriculture that are impacted by climate change
- **Headquartered in Rome with 40 country offices**
- **Rated AA+** by Fitch and S&P based on robust membership support, strong PCT, excellent capitalization, robust liquidity, extremely strong financial risk profile

- Unlike other UN agencies, **IFAD’s funding does not come from assessed (or obligatory) contributions.**
- **All contributions are voluntary and negotiated during Member State Consultations** that happen once every 3 years.
## High level financials

<table>
<thead>
<tr>
<th>2020 IFAD Financial Position</th>
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</thead>
<tbody>
<tr>
<td><strong>Liquidity</strong></td>
</tr>
<tr>
<td>US$ 1,165</td>
</tr>
<tr>
<td><strong>Borrowing</strong></td>
</tr>
<tr>
<td>US$ 1,155</td>
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<tr>
<td><strong>Other Assets</strong></td>
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<td>US$ 668</td>
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<tr>
<td><strong>Other Liabilities</strong></td>
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<tr>
<td>US$ 526</td>
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<tr>
<td><strong>Net Loans Outstanding</strong></td>
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<tr>
<td>US$ 8,050</td>
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<tr>
<td><strong>Net Equity</strong></td>
</tr>
<tr>
<td>$8,203</td>
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</table>

| Total US$ 9,883 |

- Moderate size of the balance sheet
- More than 90% of loans financed through paid in capital in the form of Member State contributions, and prospects to grow through leverage.
- Distribution of loan portfolio:
  - 83% highly concessional loans
  - 10% ordinary loans
  - 7% blend loans

*in USD million in nominal terms*
IFAD’s financial offer is characterized by a very high level of concessionality

Total (US$ mln) 3 273

- DSF 595
- Concessional (Non-DSF) 2 248
- Semi-Concessional 430

Greater resources allocated to sovereign operations in IFAD12

Resources provided in ordinary terms (variable interest rates). Level of concessionality or grant element varies from 30% to 53%.

Resources provided at least in semi-concessional terms as per IMF definition

Resources mostly provided on concessional or highly concessional terms (fixed service charges and/or interest rate). Level of concessionality or grant element varies from 37% to 73%

Resources provided in 100% grant terms

Overall IFAD concessionality remains at approximately 50%, well above the IMF threshold of 35%
Strong historical donor support reaffirmed in IFAD12

Top 10 Contributors since inception (pledges, US$ million)

- United States: 1200
- United Kingdom: 800
- Germany: 600
- Netherlands: 500
- Italy: 400
- Japan: 400
- Canada: 400
- Saudi Arabia: 400
- Sweden: 400
- France: 400

IFAD Equity and replenishments (US$ million)

- In IFAD12:
  - 25 countries increased contributions by 40% or more, including major G7 member states
  - 13 countries doubled their contributions
  - 13 other countries which didn’t pledge in IFAD11 pledged to IFAD12

For comprehensive Member State statement of contributions data since inception, please see Appendix H of the 2020 IFAD Consolidated Financial Statements (EB-2021-132-R-26).
Globally diversified portfolio

- 100% sovereign exposure
- Highly diversified portfolio inherently less exposed to regional crises
- Solid development-related asset performance with a mix of countries in different income categories
- Average rating of the loan book (B+) in line with peers
IFAD supports all sectors of agricultural development

IFAD’s current portfolio by sector:

- 29% Access to Markets
- 4% Environment and Natural Resources
- 12% Inclusive Rural Finance
- 13% Policy and Institutions
- 28% Production Sectors
- 12% Programme Management
- 2% Social Services
- 12% Programme Management
- 28% Production Sectors
- 12% Programme Management
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- 12% Programme Management
- 28% Production Sectors
**IFAD’s evolving business model: IFAD12 strategic priorities**

<table>
<thead>
<tr>
<th>IFAD11</th>
<th>IFAD12</th>
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</thead>
<tbody>
<tr>
<td><strong>Transformational Country Programmes</strong></td>
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</tr>
<tr>
<td>• Increased focus of replenishment on Low Income and Lower Middle Income countries</td>
<td>• New instruments: <em>Private Sector</em> Financing Programme and Adaptation for <em>Smallholder Agriculture</em> Programme+</td>
</tr>
<tr>
<td>• New instruments pilots: Results Based Lending and Regional Operations</td>
<td>• Strengthened focus on <em>mainstreaming</em> themes: climate, gender, youth and nutrition</td>
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<tr>
<td>• Country selectivity and larger project size</td>
<td>• More catalytic power: <em>co-financing</em> ratio 1.5</td>
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**Closer interaction with clients; tailored solutions and adaptable programming to drive more sustainable rural transformation**

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<tr>
<td><strong>Institutional Framework</strong></td>
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<tr>
<td>• Decentralization: 32% of staff in the field</td>
<td>• Continued <em>decentralization</em>: from 32% to 45%</td>
</tr>
<tr>
<td>• Business process reengineering</td>
<td>• Improving <em>efficiency/boosting</em> capacity in the field</td>
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**Strengthening and innovating people, processes and systems for an effective and efficient IFAD**

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<tr>
<td><strong>Financial Framework</strong></td>
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</tr>
<tr>
<td>• One allocation system for equity and borrowing</td>
<td>• Increased financial discipline in <em>allocation systems</em>: differentiated for equity and borrowed funds</td>
</tr>
<tr>
<td>• Sovereign and Concessional Partner Loans</td>
<td>• Focus on <em>capital and liquidity management</em></td>
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<tr>
<td>• Focus on liquidity management</td>
<td>• <em>Private placements</em> through Integrated Borrowing Framework</td>
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**Maximizing resources for the poorest countries while ensuring IFAD’s financial sustainability**
Overview of eligibility criteria to access IFAD resources

**Strategic Focus**
Valid country strategy (COSOP or country strategy note)

**Absorptive Capacity**
All operations in a country that have been effective for more than one year must have disbursed funds at least once in the previous 18 months

**Ownership**
No approved projects are pending signature for more than 12 months

**Level of Indebtedness**
Borrowed resources will be accessed by eligible LICs and LMICs, as well as UMICs, based on relevant financial criteria. Countries at high risk of or in debt distress will not be eligible to access borrowed resources.
Funding strategy for IFAD12

Guided by IFAD’s Integrated Borrowing Framework

Targeting private institutional investors with a strong ESG focus and alignment with IFAD’s mission

Through bilateral loans and private bond placements

Targeted overall size for the triennium: US$ 1.1-1.2 bn

Targeted funding through PPs: US$ 0.8 bn

Focused on US$ and EUR

Single Private Placement size: US$ 50-300 mill

Maturity: 7+ years

EMTN programme established Q4 2021

Timeline for inaugural issuance: H1 2022

Through IFAD’s Sustainable Development Finance Framework
IFAD’s projects contribute to SDG strategic priorities with key focus on SDGs 1 and 2.
## IFAD’s key AA+ credit rating factors

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
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<tr>
<td><strong>VERY STRONG CAPITAL STRUCTURE</strong></td>
<td>- Excellent capitalization with equity increasing since inception, thanks to successful replenishments</td>
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<td></td>
<td>- Fitch equity/assets ratio to far exceed the 25% ‘excellent’ threshold</td>
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<tr>
<td><strong>PREFERRED CREDITOR TREATMENT</strong></td>
<td>- Moderate credit risk</td>
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<td></td>
<td>- Preferred creditor treatment</td>
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<td></td>
<td>- Relatively small size and low debt servicing costs, affordable loans</td>
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<tr>
<td><strong>GLOBAL BEST PRACTICE RISK MANAGEMENT</strong></td>
<td>- Strong financial and risk policies adapted to meet changing funding structure</td>
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<td>- Experienced Treasury and Risk team</td>
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<td><strong>LIQUIDITY: HIGH, AND IMPROVING QUALITY - AMPLE SIZE</strong></td>
<td>- Strong liquidity, bolstered by a well-managed liquidity policy</td>
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<td>- High-quality investment portfolio</td>
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<td><strong>CLOSE ALIGNMENT WITH POLICY PRIORITIES OF MEMBERS</strong></td>
<td>- Importance of policy mandate with agricultural and rural development key to meet SDGs</td>
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<td></td>
<td>- Full government ownership for successful project implementation</td>
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Key updates at a glance

IFAD12 Replenishment

Higher expected replenishment **US$1.3 billion** compared to US$ 1.1 of IFAD11

- **23** countries increased contributions by 40% or more, including major G7 member states
- **13** countries doubled their contributions
- **13** other countries which didn’t pledge in IFAD11 pledged to IFAD12

Financial evolution

- Two **AA+ ratings** confirmed in 2021
- New **Funding Unit established**
- New **Financial Strategy & Development Finance Unit** under implementation
- Integrated **Borrowing** Framework approved and **Sustainable Development** Finance Framework launched
- **EMTN** programme approved
So what does this all mean for IFAD

*IFAD is now a more resilient development institution, which is now better equipped than ever before to meet the needs of its Member States.*

*IFAD must maintain: strong member state support, robust governance and adherence to policies, close monitoring of the credit quality of our loan portfolio and PCT, and ensure adequate funding sources to meet growing obligations in a sustainable way.*

*IFAD’s policy importance as part of the larger development community in its efforts to achieve the 2030 SDGs is now more consolidated than ever before.*

*The AA+ assigned to IFAD by both agencies is an enviable result across all sectors, and across institutions of all sizes and mandates.*