



# IFAD as a Development Finance Institution

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# IFAD at a glance



Founded in **1977**  
as 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

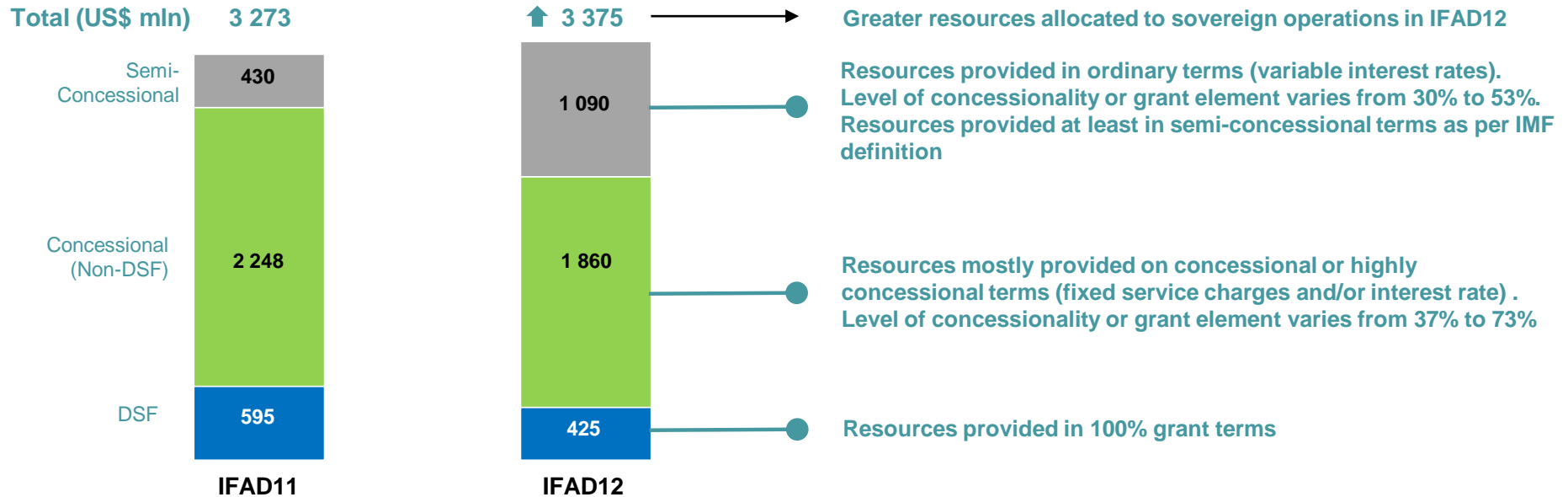
## 2020 IFAD Financial Position

|  |                                      |
|--|--------------------------------------|
| <b>Liquidity</b><br>US\$ 1 165             | <b>Borrowing</b><br>US\$ 1 155       |
| <b>Other Assets</b><br>US\$ 668            | <b>Other Liabilities</b><br>US\$ 526 |
| <b>Net Loans Outstanding</b><br>US\$ 8 050 | <b>Net Equity</b><br>\$8 203         |
| <b>Total US\$ 9 883</b>                    |                                      |

*in USD million in nominal terms*

- 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

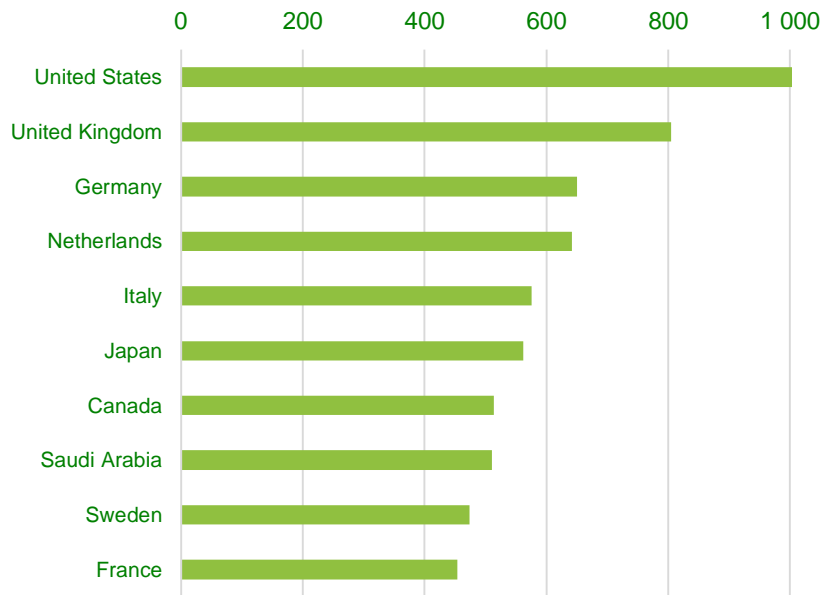
# IFAD's financial offer is characterized by a very high level of concessionality



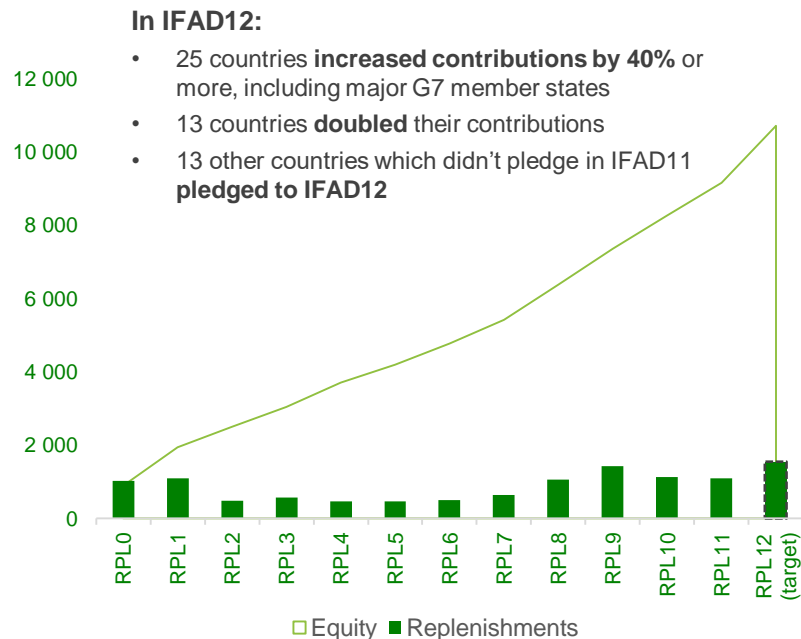
Overall IFAD concessionality remains at approximately 50%, well above the IMF threshold of 35%

# Strong historical donor support reaffirmed in IFAD12

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

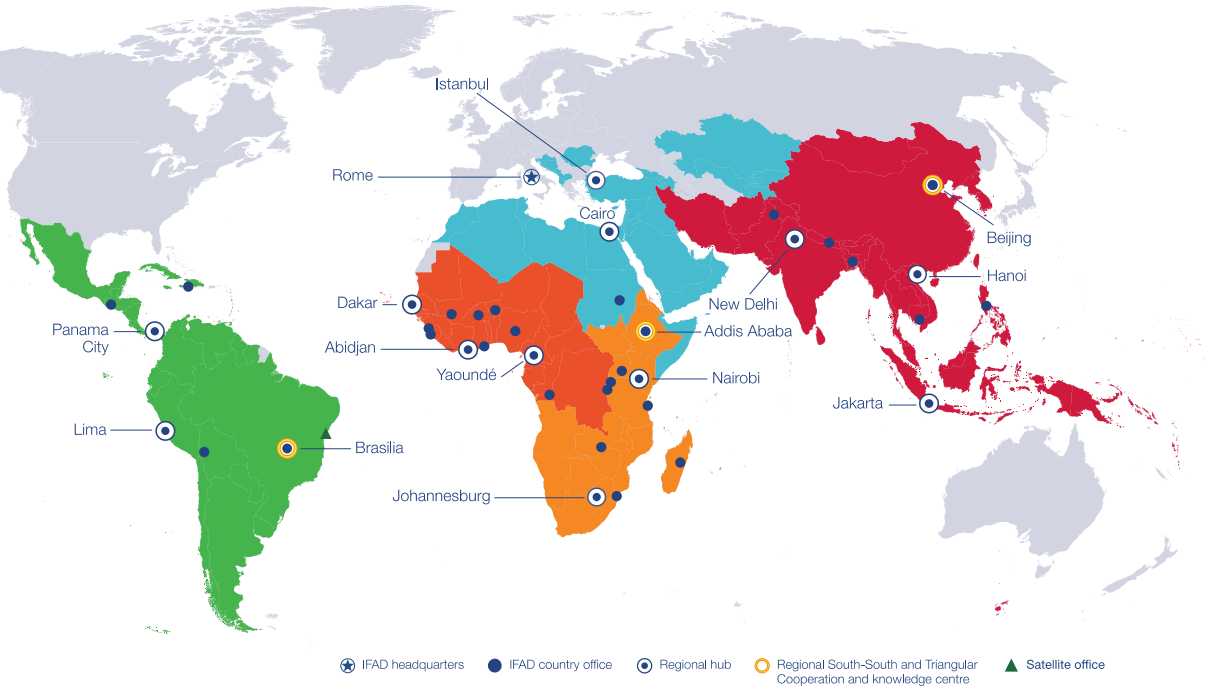
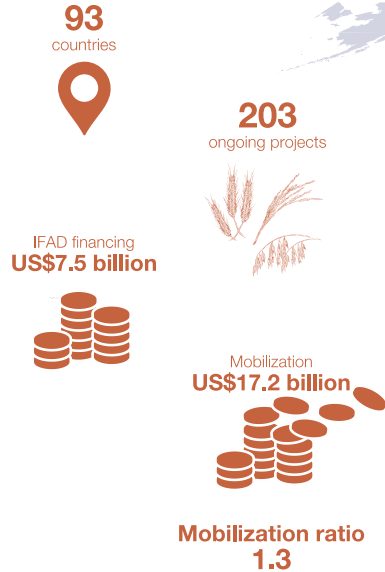


## IFAD Equity and replenishments (US\$ million)



- 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](#)).

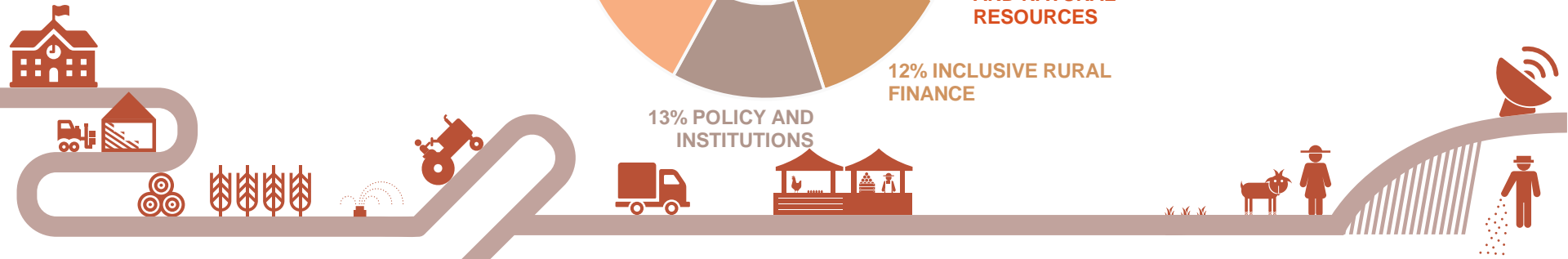
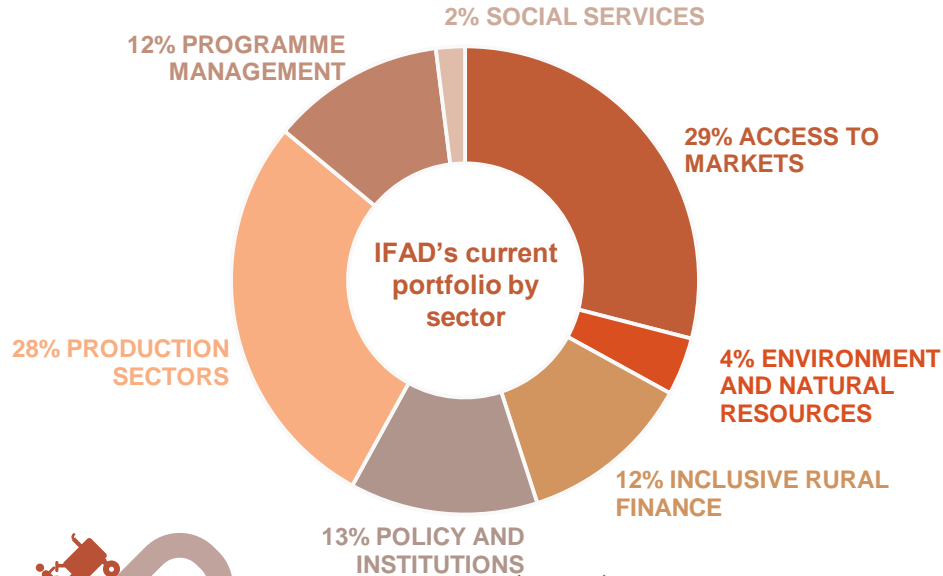
# Globally diversified portfolio



- 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 evolving business model: IFAD12 strategic priorities

## IFAD11

## IFAD12

### Transformational Country Programmes



- Increased focus of replenishment on Low Income and Lower Middle Income countries
- New instruments pilots: Results Based Lending and Regional Operations
- Country selectivity and larger project size

- New instruments: **Private Sector Financing Programme** and Adaptation for **Smallholder Agriculture Programme+**
- Strengthened focus on **mainstreaming** themes: climate, gender, youth and nutrition
- More catalytic power: **co-financing ratio 1.5**

*Closer interaction with clients; tailored solutions and adaptable programming to drive more sustainable rural transformation*

### Institutional Framework



- Decentralization: 32% of staff in the field
- Business process reengineering

- Continued **decentralization**: from 32% to 45%
- Improving **efficiency/boosting** capacity in the field

*Strengthening and innovating people, processes and systems for an effective and efficient IFAD*

### Financial Framework



- One allocation system for equity and borrowing
- Sovereign and Concessional Partner Loans
- Focus on liquidity management

- Increased financial discipline in **allocation systems**: differentiated for equity and borrowed funds
- Focus on **capital and liquidity management**
- **Private placements** through Integrated Borrowing Framework

*Maximizing resources for the poorest countries while ensuring IFAD's financial sustainability*



# Overview of eligibility criteria to access IFAD resources

PBAS &  
BRAM



## 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

BRAM  
ONLY



## 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



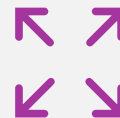
Guided by IFAD's **Integrated Borrowing Framework**



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



## VERY STRONG CAPITAL STRUCTURE

- Excellent capitalization with equity increasing since inception, thanks to successful replenishments
- Fitch equity/assets ratio to far exceed the 25% 'excellent' threshold



## PREFERRED CREDITOR TREATMENT

- Moderate credit risk
- Preferred creditor treatment
- Relatively small size and low debt servicing costs, affordable loans



## GLOBAL BEST PRACTICE RISK MANAGEMENT

- Strong financial and risk policies adapted to meet changing funding structure
- Experienced Treasury and Risk team



## LIQUIDITY: HIGH, AND IMPROVING QUALITY - AMPLE SIZE

- Strong liquidity, bolstered by a well-managed liquidity policy
- High-quality investment portfolio



## CLOSE ALIGNMENT WITH POLICY PRIORITIES OF MEMBERS

- Importance of policy mandate with agricultural and rural development key to meet SDGs
- Full government ownership for successful project implementation



# Key updates at a glance



## IFAD12 Replenishment

Higher expected replenishment **US\$1.3billion** 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.***