



IFAD as a Development Finance Institution

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To better understand IFAD as a Development Finance Institution, we will look at...



1. IFAD's Funding Structure

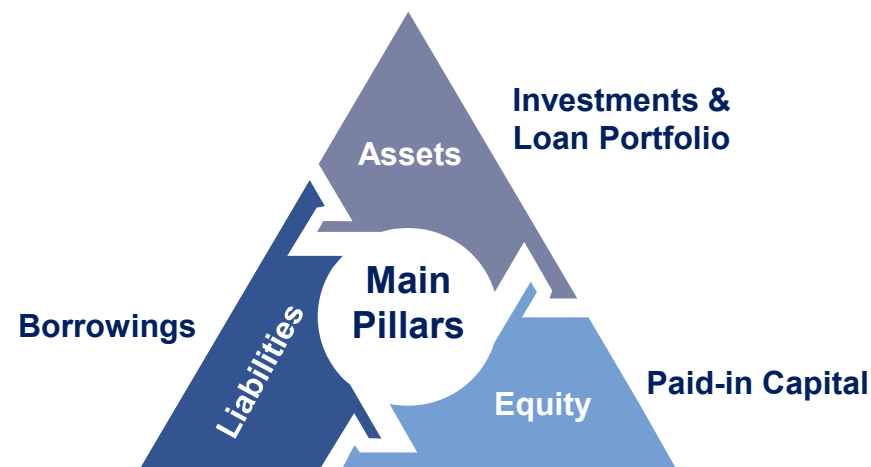
IFAD's Mission

To help poor rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods



2. IFAD's Balance Sheet

2018 IFAD Financial Position (USD Billion in Nominal Terms)	
Liquidity \$1.0	Borrowing \$0.6
Other Assets \$1.1	Other Liabilities \$0.5
Net Loans Outstanding \$7.2	Net Equity \$8.2
Total USD 9.3 billion	



<i>*All ratios within thresholds</i>	Dec 18	Dec 17	Threshold (%)
Debt/equity	6.3	5.8	< 35
Liquidity/assets	11.2	15.1	> 5
Debt service coverage	0.2	0.2	< 50



3. IFAD's Updated Financing Terms



Financing Terms



Financial Products



Debt Management

<p>For Borrowers</p>	<p>Tailored to fragility and countries' economic journey</p>	<p>Enhance product base flexibility and options</p>	<p>Increase debt management capacity, mitigating debt and foreign exchange risks, and national balance sheet</p>
<p>For IFAD</p>	<p>Stimulate successful negotiations with Borrowers</p>	<p>Enhance capabilities as a Development Finance Institution</p>	<p>Modernization of financial product offering</p>

4. Debt Sustainability Framework

- 01**  **Principle of baseline replenishment level**
Ensure that IFAD is fully reimbursed in a timely manner for all approved DSF projects No erosion of IFAD's capital over time
- 02**  **Dynamic pre-funded (ex ante) mechanism**
Ensure that new DSF financing is based on Member States' up-front commitments on a replenishment-by-replenishment basis
- 03**  **Introduction of granularity**
Tailored to concessionality levels for the countries eligible for the DSF
- 04**  **DSF grant only to countries in the highest debt distress**
Allocate IFAD's scarce DSF grant resources to support countries in the highest debt distress, including the poorest and most vulnerable countries
- 05**  **Introduction of SHC loans**
New lending term – the super highly concessional (SHC) loan – with greater concessionality, including a long-term maturity and grace period

5. Transition to Capital Management

IFAD now has a Capital Adequacy Policy

- Capital Adequacy is the process of identification, monitoring and quantification of risks
- Ensures desired solvency level by holding sufficient capital to absorb the possible materialization of estimated losses
- Serves to quantify the financial capacity of an institution to limit losses, plan its operations and create value
- Used by regulators, rating agencies, creditors and stakeholders
- **Deployable Capital** is the main measure to assess IFAD's capital utilization and the availability of resources to support future commitments

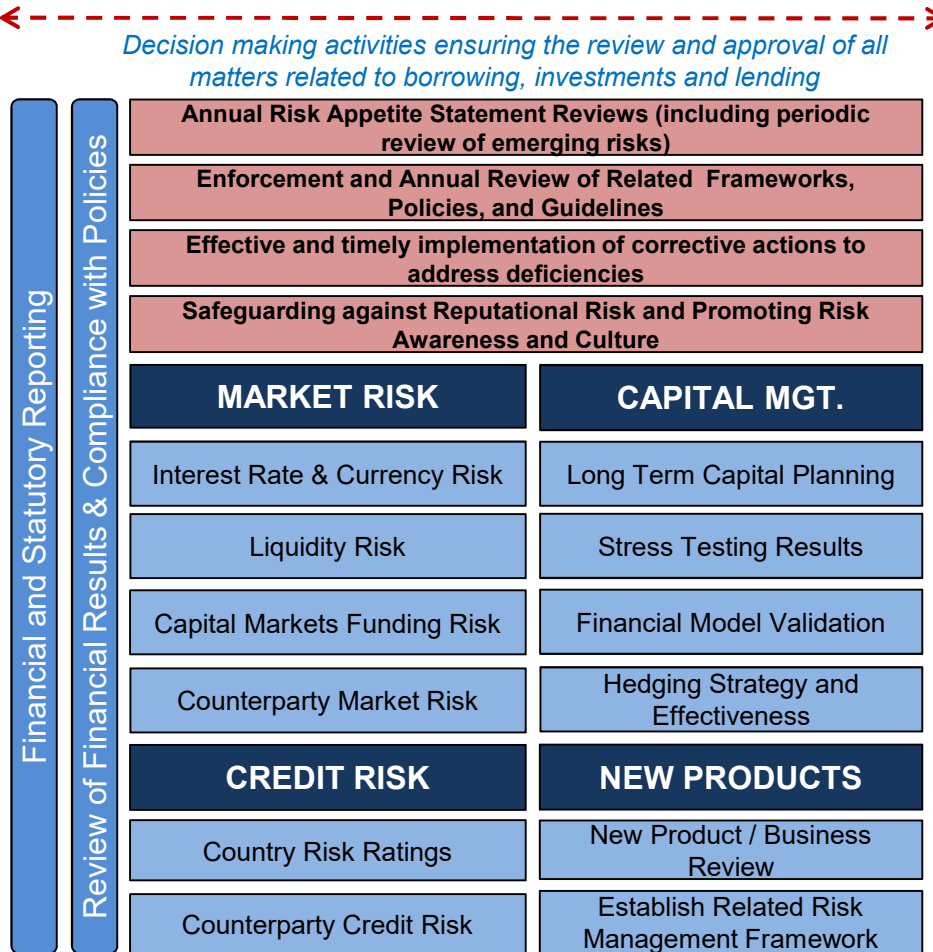


Capital adequacy is the foundation that supports the risks embedded within IFAD's assets, allowing the institution to efficiently manage its capital, and prudently leverage its balance sheet, within the confines of an established risk appetite and risk management framework.

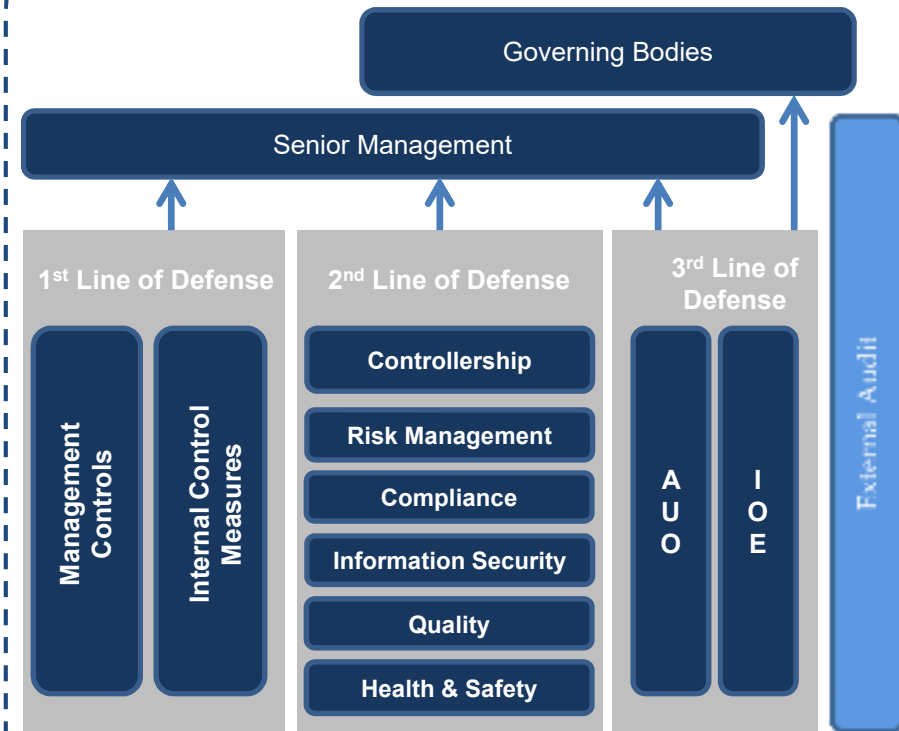
6. Enhanced Risk Management & Control

End-to-End Financial Risk Management & Governance

Decision making activities ensuring the review and approval of all matters related to borrowing, investments and lending



Enhanced Internal Control Framework (ICF)



The ICF covers financial, operational, compliance and reputational risks, all of which may have a significant impact on IFAD's Consolidated Financial Statements



7. The Road to Obtaining a Credit Rating

Key Benefits of a rating for IFAD:

- Incentive to raise financial standards and adopt best practices
- Greater funding and Risk Management tools
- Increase resources & products for borrowing countries

Financial Position

Capital Adequacy
Liquidity

Business Position

Mission and Relevance
Governance

Initial Credit Rating / Stand Alone / Intrinsic

Membership Support

Final Credit Rating

Need of positioning IFAD as a specialized DFI with:

- Strong support from Members
- Robust Business Profile
- Sound Financial Sustainability Framework

Positive drivers

- Strong capitalization
- Low leverage
- Unique mandate
- Track record of operations
- UN entity with financing role

Challenges

- Liquidity and funding profile
- Creditworthiness of countries' of operations
- Lack of extraordinary support
- No full alignment of credit profile with methodologies

