



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

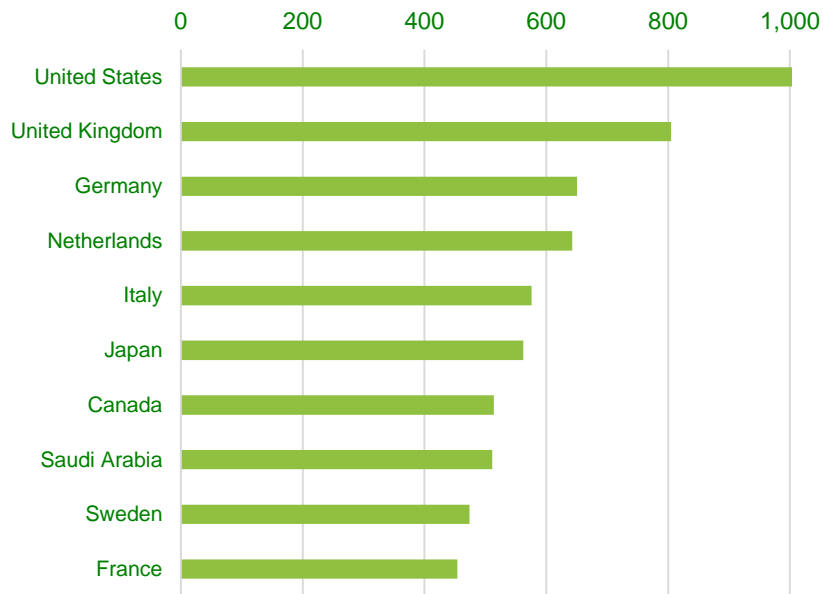
Liquidity US\$ 1 165	Borrowing US\$ 1 155
Other Assets US\$ 668	Other Liabilities US\$ 526
Net Loans Outstanding US\$ 8 050	Net Equity \$8 203
Total US\$ 9 883	

in USD million in nominal terms

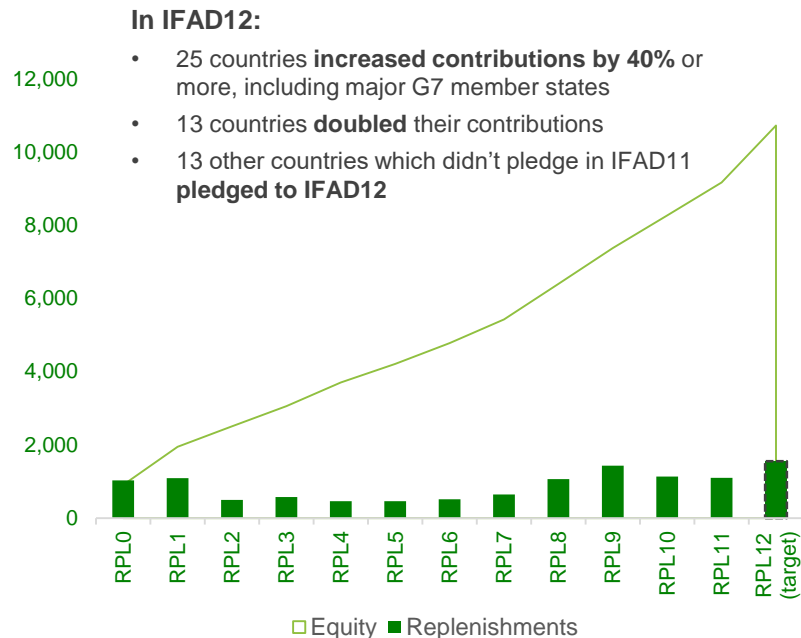
- Moderate size of the balance sheet
- More than 90% of loans financed through paid in capital in the form of Member State contributions, and prospects to grow through leverage.
- Distribution of loan portfolio:
 - 83% highly concessional loans
 - 10% ordinary loans
 - 7% blend loans

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

93
countries



IFAD financing
US\$7.5 billion



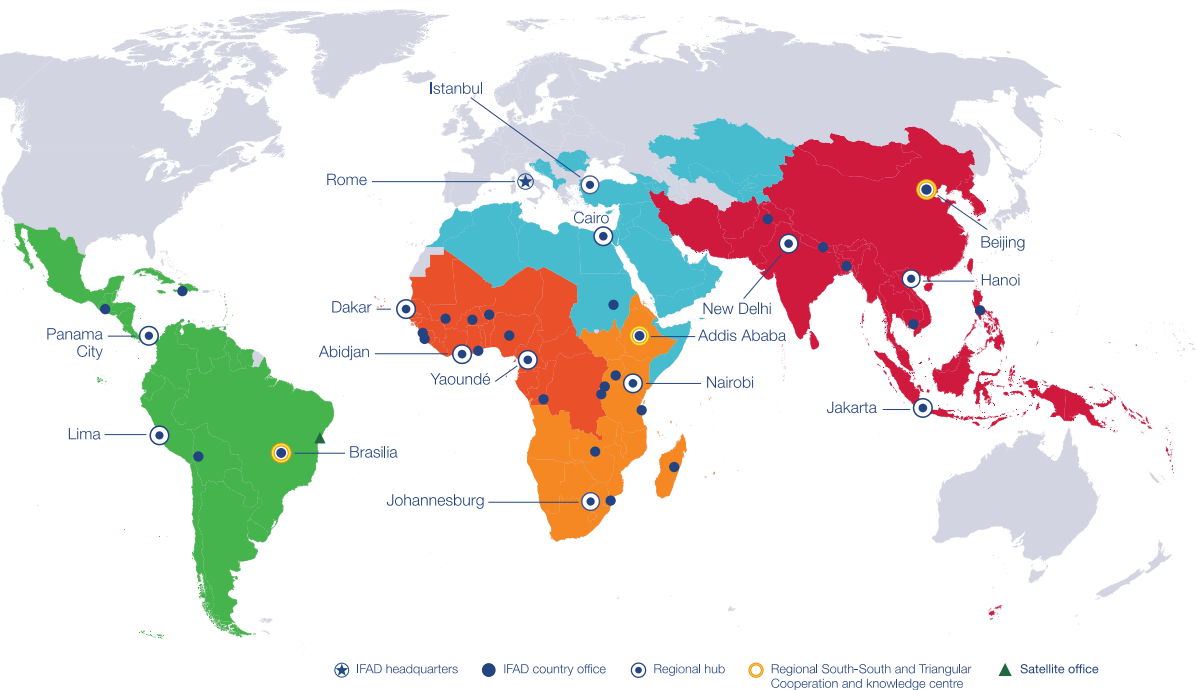
203
ongoing projects



Mobilization
US\$17.2 billion



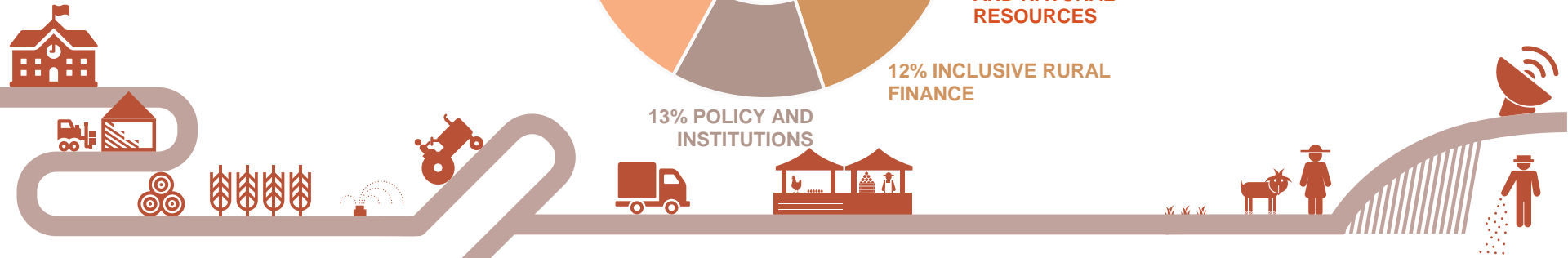
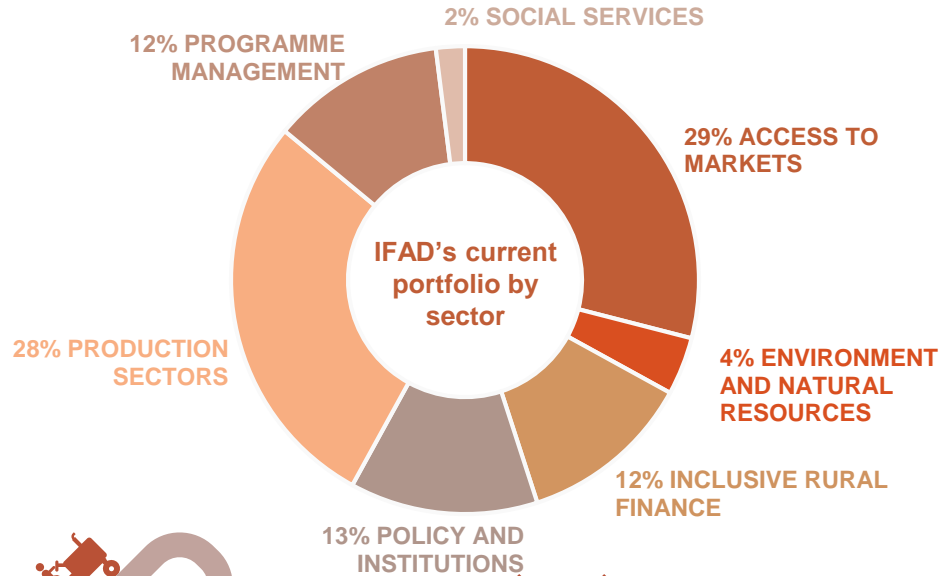
Mobilization ratio
1.3



- 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) is available early in the cycle



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.

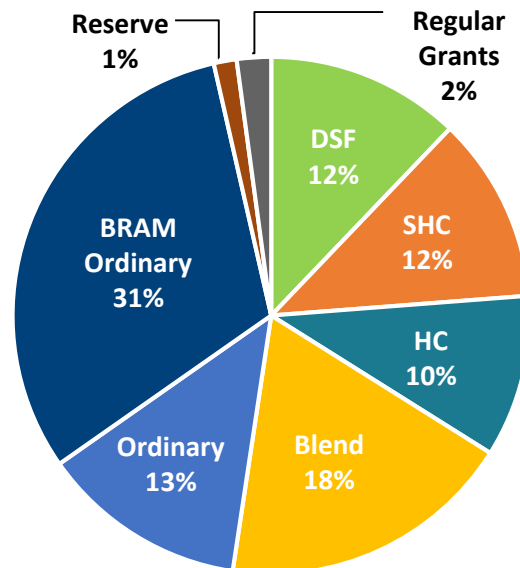


IFAD12 Lending Terms and Income Categories

Breakdown of IFAD12 PoLG by Income Category

	Core	Borrowed	Total
LICs, DSF Eligible	377	0	377
LICs, others	554	240	794
Total LICs	931	240	1 171
LMICs	1 354	480	1 834
Total LICs and LMICs	2 285	720	3 005
UMICs	0	371	371
Reserve	50	0	50
Regular Grants	75	0	75
Total PoLG	2 410	1 091	3 500

Breakdown of IFAD12 PoLG by Lending Term



- PBAS represents 65% of the total PoLG



Funding and alignment to SDGs through IFAD's SDFP to support IFAD's business model

1

Use of proceeds

An amount equal to the net proceeds from loans to IFAD or private placement bonds issued by IFAD will be included in IFAD's resources. IFAD will use these resources to finance or refinance Eligible Development Projects (EDPs) in member countries. Proceeds from loans or bond private placements will not be used to finance IFAD's administrative and operating expenses, nor to finance expenses for grants, as these expenses are covered entirely by replenishment contributions from IFAD's Member States Replenishment contributions.

2

Process for project evaluation and selection

EDPs go through a rigorous review and approval process to ensure that they align with IFAD's mission and meet development priorities of borrowing governments, as detailed in the jointly developed Country Strategic Opportunities Programmes (COSOP) or Country Strategies.

3

Management of proceeds

The proceeds from loans and bond private placements sourced under the SDFP will be allocated within IFAD's investment portfolio to a special sub-portfolio linked to IFAD's lending operations to "EDPs".

4

Reporting

IFAD will produce an annual impact report under the SDFP. The report will include the total amount of financing approved under the framework with a lookback period of 36 months, disbursement patterns and outstanding balance of proceeds from loans and private bond placements as well as planned or achieved results.



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\$ 1.0-1.5 bn
Targeted funding through
PPs: US\$ 6.0-1.1 bn



Focused on **US\$ and EUR**



Single PP size:
US\$ 50-300 mill



Maturity:
7+ years



Timeline for establishment of
EMTN programme: by Q4 2021



Timeline for **inaugural issuance: Q4 2021/Q1 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



Overview of 2020 Rating Agency assessments

S&P 2020 Rating Assessment – AA+

Enterprise Risk Profile	Strong
Policy Importance	Strong
Governance and Management	Adequate
Financial Risk Profile	Extremely Strong
Capital Adequacy	Extremely Strong
Funding and Liquidity	Strong

Fitch 2020 Rating Assessment – AA+

Capitalisation	Excellent
Concentration Risk	Low
Market Risk	Very Low
Risk Management Policies	Strong
Liquidity Profile	aa+
Business Environment	Medium Risk



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

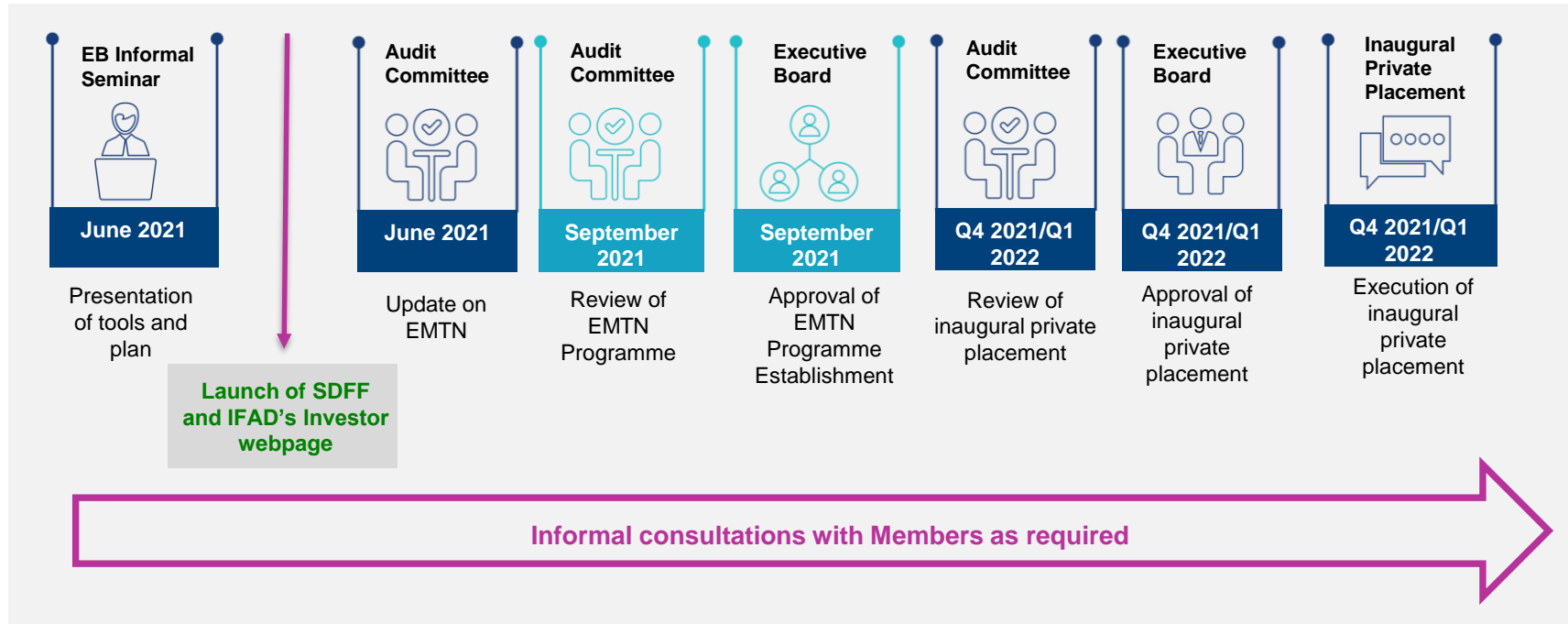


Financial evolution

- ✓ Two **AA+ ratings** in 2020. 2021 update underway
- ✓ Independent **Risk Management Office**
- ✓ New **financial policies, Borrowed Resources Access Mechanism and Update in Financing Conditions** under implementation
- ✓ Integrated **Borrowing** Framework approved and Sustainable **Development** Finance Framework launched
- ✓ **EMTN** programme establishment under way



Timeline & next steps for IFAD's EMTN programme



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.