

Document: EB 2020/130/R.36/Add.1
Agenda: 9(g)
Date: 4 August 2020
Distribution: Public
Original: English

E



Investing in rural people

Summary of Amendments to the IFAD Investment Policy Statement

Note to Executive Board representatives

Focal points:

Technical questions:

Benjamin Powell
Director and Treasurer
Treasury Services Division
Tel.: +39 06 5459 2251
e-mail: b.powell@ifad.org

Jon Thorsteinsson
Deputy Treasurer
Tel.: +39 06 5459 2811
e-mail: j.thorsteinsson@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board — 130th Session
Rome, 8-11 September 2020

For: **Information**

I. Introduction

1. The IFAD Investment Policy Statement (IPS) is reviewed annually by Management. This particular review placed emphasis on ensuring that the Fund's policies are aligned with the requirements of the credit rating agencies.

II. Changes to the IPS

2. Three important changes were made with respect to credit and counterparty risk.
 - (i) Previously all investments needed to carry an investment grade rating by at least one rating agency (S&P, Moody's and Fitch). In line with practices observed at other international financial institutions (IFIs), this has been increased to two agencies (table 1, para. 35).
 - (ii) The share of fixed-income investments in IFAD's investment portfolio that have a rating category of AA- (or equivalent) and above should be at least 60 per cent (para. 36).
 - (iii) Operational cash counterparties below investment grade are allowed, provided that these counterparties are used for payments and petty cash purposes and not used to handle large cash balances. The IPS requires a strict ceiling on the cash balances of any such counterparties (para. 38).
3. The changes not only bring IFAD's IPS more in line with those of other IFI liquidity management operations but also further strengthen the credit quality of the investment portfolio. They also introduce a more robust procedure for managing operational cash counterparty exposure.