Investing in rural people

Executive Board
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Update on the implementation of IFAD's Integrated Borrowing Framework
Addendum
Management response to Member States' comments

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Comments from The Netherlands	Management response
The Netherlands supports the proposal of IFAD to extend the pool of eligible lenders to include supranational and multilateral institutions as well as private institutional impact investors. This will allow IFAD to respond to the increasing financing needs of borrowing countries.	IFAD Management thanks Netherlands for the support expressed for the new categories of eligible lenders (supranational and multilateral institutions as well as private institutional impact investors) and the new borrowing instruments (private placements) introduced by the Integrated Borrowing Framework (IBF) in December 2020. As shared in the document, both decisions have already proved to be successful in securing funds for the Twelfth Replenishment of IFAD's Resources (IFAD12).
It is recognized that only a limited number of the currently eligible lenders are able to provide concessional partner loans. However we would like to reiterate that it is important to maintain the concessional terms of the loans to the poorest countries eligible to lend from IFAD. Ensuring debt sustainability should remain a priority for IFAD.	IFAD Management fully recognizes the need to ensure a concessional offer to the poorest countries eligible to borrow from IFAD. Replenishment contributions and concessional partner loans remain the only means through which IFAD can sustainably finance its concessional offer. Therefore, IFAD urges members, in light of the upcoming IFAD13 Consultation, to increase their support in such forms, so that IFAD can continue to amply support its core mission.
It is also important that the pool of new eligible lenders will not be able to directly or indirectly influence decision-making on the strategy and policies of IFAD. How will Management ensure that this does not happen?	The pool of new eligible lenders is not and will not be allowed to enter into IFAD's governance, strategies and decision-making. There is no such clause in any loan agreement or bond documentation. The condition of non-earmarking, as expressed in the IBF, will continue to guide IFAD's borrowing activity. Should any thematic area be suggested and agreed, such theme will be fully aligned with IFAD's pre-existing strategic direction as agreed with IFAD's members.
Lastly, IFAD should consider strategically which partnerships it wishes to proceed with. The benefits and size of the loan should outweigh the transaction costs of creating the agreement.	The point is well noted and in line with IFAD's strategic decision to establish a Euro Medium-Term Note Programme (EMTN) to issue private placements. Issuing under the EMTN reduces transaction costs significantly. Once the financial conditions are agreed between the parties, the execution is swift and the documentation exchange is extremely limited. Therefore, from a transaction costs viewpoint, issuing bonds is without doubt a successful strategy. With regard to loan negotiation, IFAD has accumulated significant experience in this process. This enables the negotiation team to identify quickly the more delicate points of the negotiations, which is crucial to shorten and optimize the time involved. Negotiation times have been significantly shortened for the last loan from the European Investment Bank compared to the previous sovereign loans.

Comments from The Netherlands	Management response
The Netherlands would like to suggest, in light of the Capital Adequacy Review by the G20, that IFAD take into account the recommendations of this report while recalibrating the computation of the debt/equity ratio as well as review its borrowing limit and present this to the Executive Board.	IFAD Management is fully in agreement with this approach. The revision of the IBF currently planned for the May 2023 session of the Executive Board clearly links the maximum leverage ratio to IFAD’s capital and Capital Adequacy Policy.