
Summary of amendments to the 2022 IFAD Investment Policy Statement and the Control Framework for IFAD Investments

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Action: The Executive Board is invited to approve the amendments to the 2022 IFAD Investment Policy Statement and the Control Framework for IFAD Investments contained in this document.

Technical questions:

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I. Introduction

1. IFAD's Investment Policy Statement (IPS) and the Control Framework for IFAD Investments (CFI) are reviewed annually by Management.

II. Changes to the IPS

2. The proposed changes to the IPS are:
 - (i) Amendment of the second-best rating rule in favour of determining the average of available ratings based on the World Bank's methodology, using a scale setting out numerical rating equivalents once Treasury systems are in place for its implementation;
 - (ii) Amendment of the minimum credit rating requirements for covered bonds from A- to AAA;
 - (iii) Amendment towards the matching of Treasury assets and liabilities;
 - (iv) Renaming of the Liquidity tranche as the Operational tranche and the Investment tranche as the Prudential tranche in order to clarify the purpose of each;
 - (v) Specification that the buffer amount will be defined and monitored at the Financial Risk Management Committee (FRMC) level in respect of the required minimum size for the combined amounts of the Transaction tranche and Operational tranche;
 - (vi) Clarification on the cap to the total exposure on investments transacted through the World Bank's Reserve Advisory and Management Partnership programme, which will be determined and monitored at the level of the FRMC; and
 - (vii) Inclusion of inflation-linked bonds and the breakdown of asset swaps into different types of swaps on the list of eligible asset classes.

III. Changes to the CFI

3. The proposed changes to the CFI are:
 - (i) Reference to the Risk Appetite Statement approved by the Executive Board at its 134th session from 13 to 16 December 2021;
 - (ii) Clarification on the implementing unit in respect of the realignment strategy related to managing currency risk;
 - (iii) Updates related to the implementation of the minimum liquidity requirement during the Twelfth Replenishment of IFAD's Resources; and
 - (iv) Definition of the risk sources within operational risk, which includes environmental, social and governance risks, and financial crime/integrity risks.