
Memorandum of understanding between the International Financial Reporting Standards Foundation and IFAD

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 6 of this document.

Technical questions:

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Memorandum of understanding between the International Financial Reporting Standards Foundation and IFAD

I. Background and purpose of the memorandum of understanding

1. The International Financial Reporting Standards (IFRS) Foundation, through the International Accounting Standards Board, is responsible for developing a set of accounting standards (IFRS Accounting Standards) and the International Sustainability Standards Board (ISSB) is responsible for developing a set of sustainability disclosure standards (IFRS Sustainability Disclosure Standards).¹ These complementary sets of IFRS Standards are intended to result in the provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world's capital markets in making economic decisions.
2. IFAD has consistently adhered to IFRS in its financial reporting. In addition, IFAD is now proactively taking steps to ensure compliance with sustainability standards. Therefore, robust collaboration with the ISSB is in place, with IFAD recently signing a letter of intent with the ISSB to promote access to technical guidance and to incorporate ISSB insights into internal stakeholder sessions.
3. To further strengthen this strategic partnership, IFAD is seeking to establish a memorandum of understanding (MoU) with the IFRS Foundation. The purpose of this MoU is to enhance sustainable capital markets by improving sustainability and climate reporting in emerging markets and developing economies. Areas of mutual interest for potential collaboration include:
 - Knowledge-sharing;
 - Advocacy of accounting and sustainability-related financial disclosures;
 - Capacity-building and technical assistance; and
 - Any other area the parties may agree upon in writing from time to time.
4. Other multilateral development banks² have already signed memorandums of understanding with the IFRS Foundation.

II. Alignment with IFAD strategies

5. This approach underscores IFAD's commitment to advancing sustainable practices and aligning financial and sustainability reporting. The principles and objectives of the proposed MoU are in line with IFAD's strategic objectives, Thirteenth Replenishment of IFAD's Resources (IFAD13) commitments and the IFAD Partnership Framework.

III. Recommendation

6. In accordance with article 8, section 2 of the Agreement Establishing IFAD, the Executive Board is invited to authorize the President of IFAD to negotiate, finalize

¹ On 26 June 2023, the ISSB introduced the inaugural standards, which are required for fiscal year 2024 reporting and entail combined application to meet compliance:

- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information, establishes general reporting requirements that demand the indication of the processes used by an entity to identify, evaluate, prioritize and monitor risks and opportunities related to sustainability and the application of conceptual bases to faithfully represent financial information related to sustainability; and
- IFRS S2: Climate-related Disclosures, requires the disclosure of material information on climate risks and climate-related opportunities.

² The International Finance Corporation, European Investment Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and Asian Infrastructure Investment Bank.

and sign an MoU between IFAD and the IFRS Foundation as described above, the terms of which will be consistent with IFAD's mandate, rules and policies.

7. The signed MoU will be submitted to the Executive Board for information at a subsequent session.