
IFAD's Investment Policy Statement 2026

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Action: The Executive Board is invited to approve IFAD's Investment Policy Statement, as contained in this document.

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Preamble

1. The Investment Policy Statement (IPS) is designed to establish fundamental directives for the placement of IFAD funds. While the Liquidity Policy lays down the directives for the amount of liquidity required, the IPS describes the parameters and criteria to be used in the management of investments by IFAD. The IPS also aims at ensuring that financial counterparts abide, with utmost diligence, by the Ten Principles of the United Nations Global Compact.
2. The responsibility to set the IPS rests with the Executive Board, within the parameters established by the Governing Council, whereas the President remains responsible for its implementation.

IFAD's Investment Policy Statement 2026

I. Scope and purpose

1. The Investment Policy Statement provides a framework for the management of investments by IFAD. The purpose of the IPS is to:
 - (i) Identify key roles and responsibilities related to the governance of IFAD's investment portfolio (section II);
 - (ii) Set forth IFAD's investment objectives for risk and return, including eligible asset classes (section III);
 - (iii) Establish a risk management framework (section IV); and
 - (iv) Define the approach to asset allocation and tranching of the investment portfolio (section V).

A. Definition of investor and assets

2. IFAD is a specialized agency of the United Nations. It came into existence on 30 November 1977, when the Agreement Establishing the International Fund for Agricultural Development (Agreement Establishing IFAD) entered into force. Membership in the Fund is open to any Member State of the United Nations – or any of its specialized agencies – or the International Atomic Energy Agency.
3. This IPS governs the investments of the Fund's resources that are derived from regular replenishments, borrowed funds or loan reflows, and that are used for commitments of loans and grants under IFAD's regular programme. It also serves as a framework for investments of other cash funds entrusted to and managed by the Fund and will complement any gaps left uncovered by separate policies and guidelines established to govern such other assets.

B. Actors and their roles

Governing Council

4. The Governing Council is IFAD's main decision-making body. Each Member State is represented in the Governing Council and all the powers of the Fund are vested in the Governing Council. Subject to the limitations stated in the Agreement Establishing IFAD, the Governing Council may delegate powers to the Executive Board.

Executive Board

5. The Executive Board is responsible for overseeing the general operations of the Fund and exercises the powers given to it by the Agreement Establishing IFAD or delegated to it by the Governing Council.

Audit Committee

6. The Executive Board has established a subsidiary body, the Audit Committee, to which it refers, among other matters, questions concerning the investment of IFAD's resources in preparation for decisions by the Executive Board.

The President

7. The President is the legal representative of IFAD. Under the direction of the Governing Council and the Executive Board, the President heads, organizes, appoints and manages the Fund's staff, and is responsible for conducting the business of the Fund. Unless otherwise stated, the President is authorized to delegate any of the authorities entrusted to him/her to any of the Fund's staff. Based on the President's authority to organize staff, the President is authorized to reconfigure IFAD's organizational structure. The President may place or invest cash funds not needed immediately for the Fund's operations or administrative expenditures.

Risk management committees

8. In order to discharge functions related to financial risk management, the President has established risk management committees to oversee, review and monitor the Fund's financial risk management frameworks and policies.

II. Governance

A. Responsibilities for determining, executing and monitoring the investment policy

9. The Executive Board has the authority to establish limits and approve the list of eligible investment instruments available to IFAD for its investment management activities.
10. The President shall ensure implementation and monitoring of all aspects of this Investment Policy Statement within the boundaries set herein by the Executive Board.

B. Process for reviewing and updating the investment policy

11. The appropriateness of the Investment Policy Statement will be reviewed annually by the Executive Board at the last session of each calendar year on the basis of a report submitted to it by the President. Having considered the report, the Executive Board may amend and update the IPS accordingly.

C. Responsibilities for approving investment guidelines and changes

12. Acting under regulation XIV of the Financial Regulations of IFAD and in implementation of regulation VIII, the President shall approve and adopt investment guidelines¹ for managing each investment portfolio within the limits defined in the IPS. Delegated authorities related to the management of Treasury Services Division (Treasury) investments will be reflected in IFAD's delegation of authority table and other internal IFAD instruments, as applicable.

D. Responsibilities for engaging and discharging external investment managers, the custodian bank(s) and other financial advisors

13. The President is responsible for the appointment and dismissal of external investment managers, the custodian bank(s) and other financial advisors required to execute the Fund's investments.²

E. Responsibilities for monitoring external investment managers, the custodian bank(s) and financial advisors

14. The President will ensure that dedicated organizational units are made responsible for developing and maintaining relationships with external investment managers, custodian banks and financial advisors.
15. These units will ensure that appointed investment managers fulfil their mandates within the contractual obligations outlined in the relevant investment management agreement, including the investment guidelines incorporated into each agreement.

F. Responsibilities for internally managed investments

16. The President will ensure that the internal investment portfolio is managed appropriately by the relevant organizational unit in line with the requirements of the IPS and the specific investment guidelines.

¹ This forms part of the Treasury Guidelines document.

² The Treasury Guidelines stipulate the requirements for selecting and engaging with external managers.

III. Investments, return and risk objectives

A. Overall investment objective

17. Regulation VIII(2) of the Financial Regulations of IFAD forms the basis of IFAD's investment objectives, which for the purpose of this IPS are:
- (i) **Security** – preservation of the value of invested assets;
 - (ii) **Liquidity** – resources must be readily available if and as required by operations; and
 - (iii) **Return** – the highest possible return within the above conditions in a non-speculative manner.

B. Risk tolerance

18. The level of risk taken should be consistent with the overall investment objective of the Fund. The risk tolerance level for the IFAD investment portfolio is set at a conditional value at risk³ of 3 per cent, which is consistent with a low appetite for financial risk, particularly in respect of liquidity risk and credit risk, as stipulated in the IFAD Risk Appetite Statement.⁴
19. Any breaches to the limits set herein shall be promptly reported to the Executive Board.
20. The President is authorized to set additional limits and conditions for the eligible investment instruments and will ensure their periodic assessment.

C. Return on investment requirements

21. The primary objective of IFAD's investments, as stated above, is to maintain the security and liquidity of funds invested. Subject to these two parameters, IFAD seeks to maximize prudently the total return on its investments.

D. Eligible asset classes

22. The following asset classes constitute eligible investment instruments:

Money market instruments

- (i) Demand deposits;
- (ii) Time deposits;
- (iii) Certificates of deposit;
- (iv) Commercial papers or agency discount notes;
- (v) Treasury bills;
- (vi) Repurchase (repo) and reverse repurchase (reverse repo) agreements; and
- (vii) Money market funds.

Currency instrument

- (i) Spot foreign exchange

Fixed-income securities

- (i) Bonds (zero coupon, callable, covered, inflation-linked, asset-backed, floating-rate notes)

Derivatives are allowed only for hedging purposes:⁵

³ CVaR assesses the Fund's potential loss at specific levels of probability and timeframes. Also known as the expected shortfall, CVaR is a risk assessment measure that quantifies the tail risk of an investment portfolio. CVaR is calculated on the basis of a weighted average of the extreme losses in the tail of the distribution of possible returns, beyond the value at risk cut-off point.

⁴ EB 2021/134/R.21/Rev.1.

⁵ This restriction does not apply to call options embedded in fixed income instruments such as callable bonds.

- (i) Forward foreign exchange;
 - (ii) Foreign exchange swaps;
 - (iii) Cross currency swaps;
 - (iv) Forward interest rate agreements;
 - (v) Interest rate swaps;
 - (vi) Credit default swaps;
 - (vii) Exchange-traded futures and options; and
 - (viii) Over-the-counter options.
23. IFAD is authorized to enter into the full title transfer-based collateral arrangements with its counterparties for derivatives and repo transactions. The President shall determine the applicable thresholds for IFAD to post collateral and to request collateral from its counterparty or its collateral provider in the derivatives transactions as well as the modalities of permitted collateral arrangements.
24. IFAD does not use any form of leverage and does not use derivatives contracts to leverage positions in the investment portfolio.

E. Environmental, social and governance principles

25. As a responsible investor, IFAD endeavours to incorporate environmental, social and governance (ESG) considerations, which are systematically being integrated throughout the investment decision-making process, and help manage risks related to ESG linked-factors. The Fund's main objective is to invest in securities where the issuer, at a minimum, adheres to fundamental principles of human rights, labour, environment and anticorruption. IFAD adheres to the Ten Principles of the United Nations Global Compact (UNGC).⁶ In general, only securities issued by issuers who comply with the UNGC principles are considered by IFAD as eligible for investment.⁷
26. Compliance with the UNGC principles is implemented through systematic exclusion by norms-based screening of securities, based on threshold levels set by the President for each exclusion criterion, issued by entities:
- (i) Involved with unethical products or services, including but not limited to controversial weapons,⁸ coal extraction, coal-fired power generation, tobacco, alcohol and gambling; and
 - (ii) Included in the United Nations Security Council Consolidated List of sanctioned entities.⁹
27. Subject to availability of market issuance and the risk tolerance levels prescribed in section IV, IFAD commits to invest a minimum percentage set by the President in respect of its investment portfolio in green bonds and other thematic ESG securities, including: bonds issued or guaranteed by supranational organizations,

⁶ <https://unglobalcompact.org/what-is-gc/mission/principles>.

⁷ To evaluate compliance with the UNGC principles, IFAD (as with all other market participants) relies on the generally recognized sustainability compliance monitoring tools. Sustainability compliance data in respect of some issuers of securities are not always available on all or some sustainability compliance monitoring resources. Hence, if no sustainability compliance data are available with respect to the particular issuer of securities, the Fund is allowed to deem the relevant issuer of securities as compliant with the UNGC principles until contrary information becomes available via the generally recognized sustainability compliance monitoring tools used by the Fund or otherwise comes to the Fund's attention.

⁸ Under Sustainability methodology, certain weapons are considered controversial due to their disproportionate and indiscriminate impact on civilians, even years after a conflict has ended. Controversial weapons include anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium and white phosphorus munitions.

⁹ <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>.

sovereign governments and government agencies, corporate bonds and asset-backed securities in the impact bond market.

F. Foreign currency management

28. IFAD aims to ensure that its assets are held in the same currency composition as its liabilities and planned future disbursements.

IV. Risk management of the investment portfolio

29. The President shall ensure that risk tolerance levels set out pursuant to the IPS are constantly monitored and reviewed by the relevant organizational unit. Through the report on IFAD's investment portfolio, the Executive Board will receive updates on overall portfolio and individual investment portfolio risk levels, and will be informed of any adjustments to be made to align these with agreed risk levels.
30. Any risk-mitigating measures taken will be reported to the Executive Board as part of the report on IFAD's investment portfolio.

A. Risk reporting

31. The President shall ensure that analyses are performed and reports are prepared on the following financial risks emanating from the investment portfolio by the relevant organizational unit.

Market risk

32. Market risk is monitored for the overall portfolio and for single mandates based on measures provided by appropriate financial models and industry standard risk analytics. Ex ante and ex post risk analyses will be performed on IFAD's Treasury assets in addition to stress tests based on extreme historical market events and instantaneous shocks for different asset classes.

Credit risk

33. Credit risk¹⁰ related to investment instruments, issuers, counterparties or their credit support providers is generally managed through the establishment of a minimum credit rating floor. Table 1 below lists the credit rating floors that can be applied to investment instruments or to issuers or counterparties, or their credit support providers.

Table 1

Instrument or issuer or counterparty or credit support provider rating floors

	<i>Credit rating floors</i>
Money market instruments	A-/A3
Money market funds	AAA-m/Aaa-mf
Currency spot foreign exchange counterparty	A-/A3
Fixed-income securities	A-/A3
Derivatives counterparty *	A-/A3
Repurchase/reverse-repurchase/securities lending transactions	A-/A3

* Excludes exchange-traded futures and options from the credit rating requirement.

34. The share of fixed-income securities and issuers in rating category AA- and above should be at least 60 per cent.

¹⁰ Credit risk refers here to the potential loss arising from Treasury's asset and liability management operations (including counterparty risk to counterparties in derivatives transactions), as opposed to the potential loss resulting from the Fund's core business, consisting of its programme of loans and grants.

Counterparty risk for specific investment transactions

35. The credit rating of a counterparty should not be lower than the rating floor specified in table 1. The specific methodology for determining such credit rating shall be specified in the investment guidelines.¹¹
36. Counterparty risk arising from securities trading¹² is managed through the establishment of a minimum rating for trading counterparties¹³ or their credit support providers. Counterparties for securities trading purposes¹⁴ or their credit support providers shall be rated at minimum investment grade.
37. Counterparties for the execution of futures and options on exchanges or clearing houses must meet the minimum rating set by the President.
38. Counterparties for operational cash and cash management purposes (primarily demand deposits with depository banks) are required to meet the minimum rating and maximum exposure limits set by the President.

Country risk

39. Country risk is a collection of risks associated with investing in a particular country. These risks include political risk and sovereign risk. Country risk is managed for all investments through the establishment by the President of maximum country exposure concentrations within the guidelines of every individual investment portfolio.

Currency risk

40. IFAD manages the currency risk that results from any mismatch between the currency composition of its assets and the currency composition of its liabilities and future disbursements.
41. The risk is managed by monitoring any mismatches and implementing a realignment strategy if any deviations become significant.

Interest rate risk

42. Interest rate risk is monitored on the overall investment portfolio and on the individual portfolios. Risk measurements include duration and conditional value at risk.

Liquidity risk

43. Sufficient liquidity must be readily available to ensure IFAD's ability to meet its disbursements, debt and other obligations.

Legal risk

44. The President will ensure that any legal risk is assessed by the Office of the General Counsel.
45. As is standard in international financial markets, any hedging and collateral arrangements related to derivatives with IFAD's counterparts may be subject to national laws. Disputes may be referred to an appropriate resolution mechanism, as agreed between IFAD and the relevant party. Management will conduct negotiations with the assistance of outside counsel, if appropriate, in the relevant jurisdictions.

¹¹ These form part of the Treasury Guidelines document.

¹² Securities trading consists of the outright purchase or sale of fixed income securities and repo/reverse repo transactions.

¹³ Trading counterparties include dealers and brokers for both investment and borrowing transactions, and excludes authorized exchanges and clearing houses. Trading with non-rated dealers for delivery versus payment (DvP) trades is allowed provided that the parent company (that holds more than 50 per cent of equity in the counterparty) is rated and meets the minimum rating set by the President.

¹⁴ Such minimum credit rating requirement applies to all transactions undertaken under DvP settlement terms, regardless of the remaining exposure limit available on the counterparty. DvP is a securities settlement mechanism that requires that securities be delivered to the counterparty if and only if the corresponding payment occurs.

Operational risk

46. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The President will ensure that operational risk is addressed by establishing a clearly defined framework of responsibility and accountability within IFAD's financial structure.

Integrity risk

47. IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy¹⁵ seeks to reduce the risk of IFAD conducting business with counterparties that are on a sanctions list adopted by IFAD, or that have been involved in money laundering, financing terrorism or related activities. This risk is monitored to reduce IFAD's exposure to serious reputational damage, financial loss or legal liability.
48. The President will ensure the screening of all potential counterparties and the ongoing monitoring of existing counterparties.

B. Performance reporting

49. The overall portfolio and benchmark performance in local currency terms will be reported semi-annually to the Executive Board. The report will include comparative performance figures for the previous periods.

C. Monitoring of compliance

50. The President will ensure that the relevant organizational unit monitors the external manager's compliance on a monthly basis and internal investment managers' compliance on a daily basis. Should a compliance breach arise, it will be analysed and any necessary action will be taken.

V. Asset allocation and tranching of portfolio

51. As the investments are fully committed, management of investments and their risk tolerance need to be linked to, and guided by, IFAD's short-term liquidity needs.
52. The investment portfolio is subdivided into tranches. This helps guide the management of investments with respect to IFAD's paramount considerations of security and liquidity.
53. IFAD's investment portfolio is therefore split into tranches, as follows:

(i) Transaction tranche

Purpose. To facilitate near-term payments for IFAD's operations or administrative expenditures, to guarantee that enough cash and cash equivalents are available to meet immediate payment obligations.

Size. Based on projected funds needed immediately for IFAD's operations or administrative expenditures.

Investments. Cash balances and the most liquid instruments that count as cash equivalents.

(ii) Operational tranche

Purpose. The operational tranche will replenish the transaction tranche as and when necessary and receives excess cash from the transaction tranche. It guarantees that enough instruments are available that can easily be translated into cash. Together with the transaction tranche it ensures that expected and unforeseen short-term liquidity requirements are met.

Size. Together with the transaction tranche, the operational tranche is targeted to hold, at a minimum, the projected gross outflows for three months and a buffer amount based on an assessment of the risk of unforeseen liquidity requirements. If the combined value of these tranches

¹⁵ EB 2023/140/R.12/Rev.2.

goes below the prescribed level approved by the President, a plan will be prepared by the Treasury Services Division on when to transfer funds from the investment tranche in light of liquidity needs, while taking into consideration market conditions and liquidation costs.

Investments. A combination of short-term and liquid assets. Foremost consideration will be given to capital preservation and the ability to liquidate in a timely manner.

(iii) **Prudential tranche**

Purpose. Funds not needed in the short term and assumed to be disbursed over the medium term. This tranche allows IFAD to optimize prudently the total expected returns on its investments.

Size. The funds that remain in the investment portfolio after allocation to the transaction tranche and the operational tranche. The size of the prudential tranche needs to be assessed as relatively stable to prevent liquidation and allow for an optimal strategic asset allocation.

Investments. All investments fulfilling the criteria set by the President.

54. Each tranche is allocated a specific component of the IPS's risk tolerance level and will be measured against respective benchmarks.