



Consultation on IFAD11 Replenishment Financial Strategy for IFAD11 and Beyond

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Consultation on the Eleventh Replenishment of IFAD's resources: second session
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Summary



This presentation will focus on the key messages contained in the Financial Strategy proposed by management for IFAD11 and beyond:













- 1) Introducing borrowing as a stable source of additional financing for IFAD
- 2) Implications of borrowing on resource allocation by IFAD to the different types of borrowers so that everyone gains
- 3) Need to strengthen IFAD's capacity ahead of implementing the strategy
- 4) Scenario simulations
- 5) Timeline for borrowing from capital markets

IFAD's Business Model



Key dimensions

IFAD11 focus

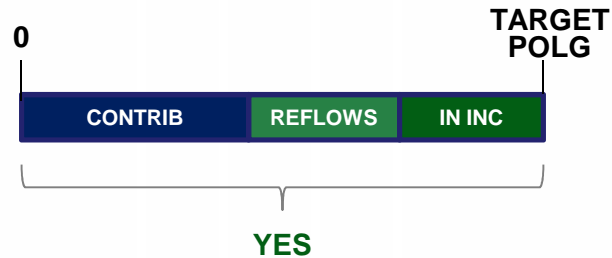
Resource mobilization	Assembling development finance to maximize impact	  
Resource allocation	Focusing on the poorest people in the poorest countries	  
Resource utilization	Doing development differently	  
Transforming Resources	Embracing a culture of results and innovation	  

Leveraging available resources

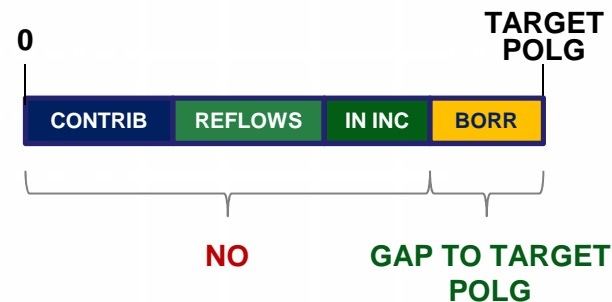


Current funding scheme

Are internal resources sufficient to fund Target POLG?



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Future funding scheme

Borrowing as a programme



- Member contributions and loan reflows will remain the primary funding source for IFAD
- From IFAD11 onward, any required borrowing will be sized as a percentage of contributions
- The borrowing/contributions ratio could be capped at 50%

CONTRIB = Member States' Contributions
 IN INC = Income from Investment Portfolio
 BORR = Borrowing
 REFLWS = Loan repayments from IFAD Borrowers

IFAD current and prospective financial indicators vs. selected IFIs



	IFAD ⁽¹⁾ (Current)	IFAD20 (Future)	AfDB	IBRD	ADB	IADB	EBRD	IsDB	Aaa Median
Rating	n.a.	n.a.	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	-
Total Assets	8.4	20	48.7	371.3	117.7	111.1	59.8	22.7	73.6
		Min Ratio							
Equity/Loans⁽²⁾	130%	50%	47.0%	21.8%	27.8%	32.1%	53.5%	67.4%	39.6%
		Max Ratio							
Debt/Equity	3.3%	100%	253.9%	494.9%	378.6%	313.5%	252.8%	101.8%	253.9%

(1) Source: IFAD 2016 financial statements; IBRD data as of EoY 2016; all other data as of EoY 2015.

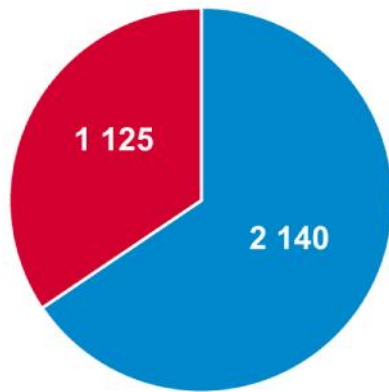
(2) Total shareholder's equity excluding callable capital over gross loan outstanding.

- The above suggested ratios for IFAD are a demonstration of the prudential nature of the proposed leveraging strategy of the Fund compared to other IFIs
- These ratios are not applicable to other UN agencies that do not operate like an IFI

Implications of borrowing on possible resource allocation in IFAD11

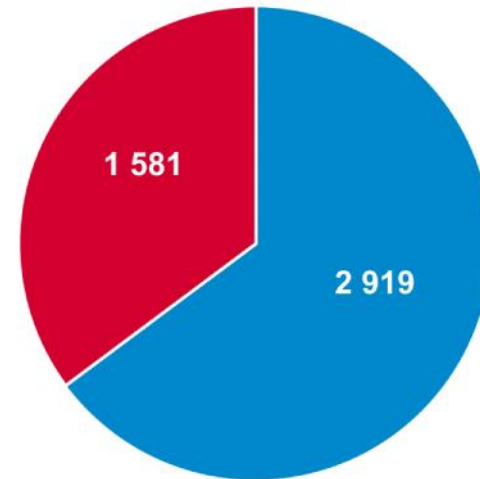


No Leverage
Total PoLG US\$3.3 billion



■ Highly concessional ■ Ordinary

With Leverage (high scenario)
Total PoLG US\$4.5 billion



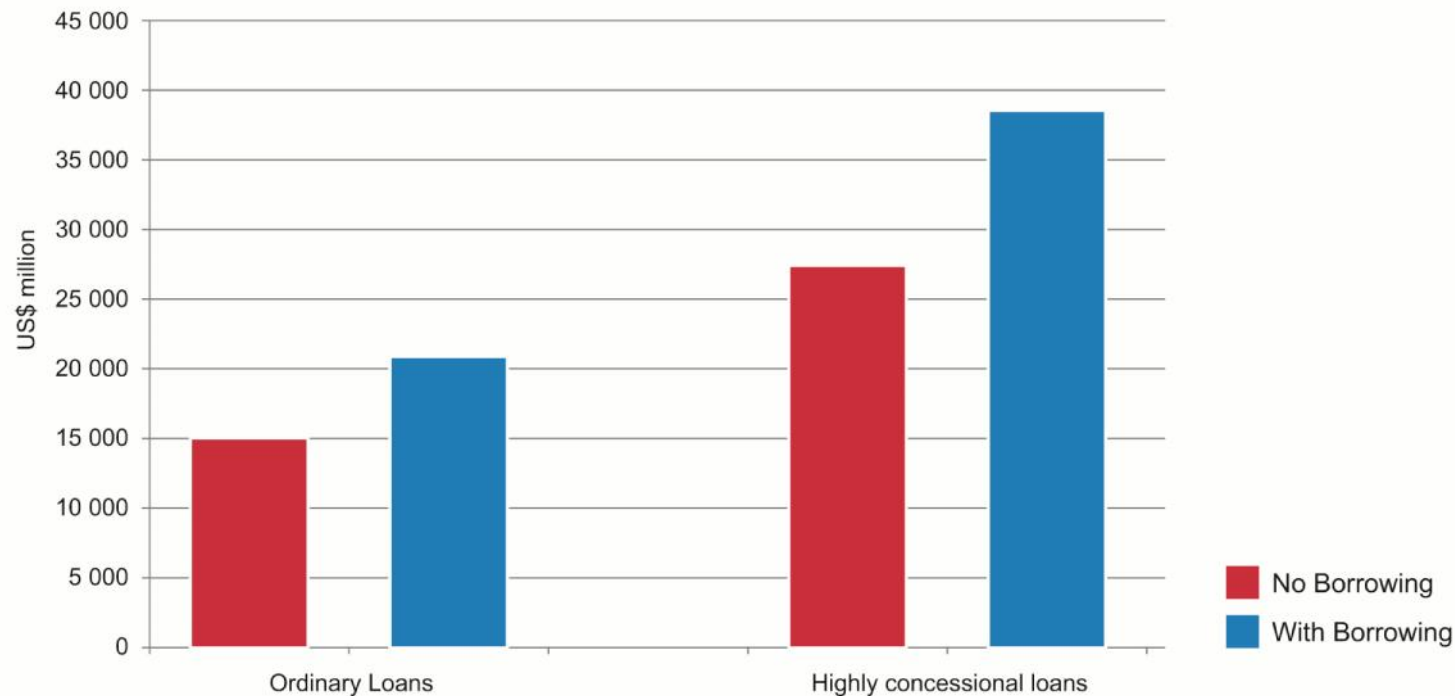
- The leveraging strategy proposed by management will determine a gradual increase of resources **for all recipient countries**, specifically increasing concentration of core resources towards highly concessional use (lower income countries)

Resource allocation: medium- to long-term outlook



- The same dynamic of resource allocation seen for IFAD11 in the previous slide would be repeated in future replenishment periods

Resource allocation over IFAD 11-20 horizon



Building internal capacity



- 1) Assess the potential need for a dedicated *debt capital market* team within Treasury. For the foreseeable future, however, additional front-office staff requirements are not likely to exceed two units.
- 2) Review of IT systems capabilities in the Financial Operations Department:
 - a) Further developing the Treasury internal database, risk management and trade execution and compliance systems
 - b) Further re-engineering of IFAD's financial model
 - c) Fully exploiting the capabilities of the market-standard Bloomberg system
- 3) Potential peer review by one of the other IFIs to assess independently the Fund's degree of readiness for borrowing on the capital markets
- 4) Improve the ability of the Fund to enter into derivative transactions

Three IFAD11 scenarios



- The table below summarizes the three scenarios proposed by management for the IFAD11 replenishment
- Each scenario shows a different PoLG target and the associated combination of contributions and borrowing required to sustain it

<i>(All figures in US\$ million)</i>	<i>Low Scenario</i>	<i>Central Scenario</i>	<i>High Scenario</i>
Contributions	1 300	1 390	1 620
Borrowing	160	695	810
<i>Borrowing / Contributions</i>	Up to 50%	Up to 50%	Up to 50%
PoLG	3 300	4 000	4 500

Borrowing from capital markets: from feasibility to execution

