<table>
<thead>
<tr>
<th>Relevance</th>
<th>IFAD’s role is now more crucial than ever to support its Beneficiaries to counter the effects of the COVID pandemic.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resilience</td>
<td>IFAD is taking further steps to increase its financial resilience in line with financial reforms and guarantee long-lasting support to its Beneficiaries</td>
</tr>
<tr>
<td>Reliance</td>
<td>As a replenishment Fund, IFAD relies on support from Donors as the key factor to mitigate strategic, reputational and financial risks.</td>
</tr>
</tbody>
</table>
## COVID-19 impact on IFAD’s key financial variables

<table>
<thead>
<tr>
<th>Borrowing</th>
<th>With current tools, borrowing ability is limited. The crisis could further reduce the pool of lenders and the required borrowing for IFAD11 or IFAD12 may not be secured in full.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encashment of contributions</td>
<td>70% encashments expected from main donors in 2020 and 2021. Remaining 30% of expected encashments from potentially more vulnerable economies and may happen at a lower speed due to the current economic shock.</td>
</tr>
<tr>
<td>Countries in debt distress in IFAD12</td>
<td>Many countries could be faced with the need to scaled up health services and provided extensive targeted economic and social support. This could result in more countries falling into debt distress.</td>
</tr>
<tr>
<td>Core loan refloows</td>
<td>The global economic crisis might affect IFAD’s borrowers ability to timely repay principal and interest on IFAD’s outstanding loans.</td>
</tr>
</tbody>
</table>

IFAD’s financial model is **not immune** to the crisis and IFAD has **limited financial flexibility to withstand shocks** and to raise resources independently.
Extreme stress test and impact on IFAD’s future

1. Reduced access to borrowing in IFAD12
   - Negative effect for IFAD’s financial strength (liquidity, capital)
   - Lower capacity to generate positive net income
   - Need for IFAD to adjust organization to reduced PoLG

2. Increase of DSF grants + no compensation from Members
   - IFAD goes back to an unsustainable financial trajectory
   - Challenges to honor existing commitments and very high reputation risk
   - Jeopardize the credit rating and prospects for future borrowing
   - Reduced future reflows and future financing capacity

3. Debt moratorium or relief + no compensation from Members
   - Challenges to honor existing commitments and very high reputation risk
   - Jeopardize the credit rating and prospects for future borrowing
   - Strong negative effect on IFAD’s financial strength (liquidity, capital)

The future size of IFAD depends on the support of Member States
**Main conclusions**

IFAD’s financial model is **not immune** to potential effects from COVID-19.

Every measure will be a **balanced decision** aiming at maximum support to beneficiaries with due consideration of IFAD’s own sustainability.

**Support from Members** is crucial for IFAD to weather the effects of the crisis and remain relevant, especially in LICs in high debt distress.

**Borrowing** will continue to play a key role to increase delivery and IFAD will enhance its ability to timely secure borrowed funds.

With full and timely compensation from Members, IFAD stands ready to align to coordinated initiatives of the international development community.