INVESTING IN RURAL PEOPLE
IFAD investor presentation 2023
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WHAT IS IFAD

Smallholder farmers
Rural transformation
UN agency
IFI
Last mile and remote areas
IFAD has a unique role in the global development architecture

IFAD is the only UN Specialized Agency and Development Finance Institution exclusively focused on and dedicated to transforming agriculture, rural economies and food systems.

Since 1977, IFAD has been a leader in the design, financing and implementation of people-centred rural and agricultural development projects.

IFAD specializes in activities that promote inclusive, productive, resilient and sustainable rural and food system transformation.
IFAD at a glance

- Founded in **1977** as specialized UN Agency and Development Finance Institution
- **177** member countries and cumulative capital contribution of **US$10.2 billion**
- Provides loans and grants. More than **US$24 billion** of financing delivered in **44 years**
- Active in **93** countries. Purpose is to end extreme poverty and hunger and to support smallholder agriculture that are impacted by climate change
- Headquartered in Rome with **40** country offices
- Rated **AA+** by Fitch and S&P based on robust membership support, strong PCT, excellent capitalization, robust liquidity, extremely strong financial risk profile
VISION AND MANDATE

Climate change
Food systems
Women’s empowerment
Fragile environments
Resilience
IFAD’s mission and vision

IFAD’s **mission** is to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable, with a **vision** of enabling inclusive and sustainable rural transformation.
Why rural people and agriculture

Three quarters of the world’s poorest and hungry people live in the rural areas of developing countries.

Around 63% of the world’s poorest people work in agriculture, the overwhelming majority on small farms.

Small farms produce 50% of all food calories on 30% of the world’s agricultural land.

Economic growth in agriculture is 2 to 3 times more effective at reducing poverty and food insecurity than growth through other sectors.

Investing in rural people is a long-term solution to so many of the problems we face today.

By investing in IFAD, Member States directly improve the lives of millions of the world’s poorest and hungriest people.
IFAD is broadening funding to respond to increased challenges

- The number of undernourished people in the world continued to increase in 2021.
- Demand for official development assistance, particularly in the rural sector, is expected to significantly increase due to the current pandemic.
- Projections show a widening financing gap to reach SDGs 1 and 2.
- Donor governments need to double their current spending on food security, accompanied by an additional US$19 billion per year from low- and middle-income countries’ own budgets, to end hunger by 2030.

Projected values for 2021 are illustrated by dotted lines. Shaded areas show lower and upper bounds of the estimated range. Source: FAO.
Integrated offer to adapt to changing needs

**INVESTMENTS** + **POLICY AND KNOWLEDGE** = **EXPANDED IMPACT**

**INVESTMENTS**
- Programme of Loans and Grants
- Programme of Work
- Co-financing

**POLICY AND KNOWLEDGE**
- Policy engagement
- Partnerships
- Knowledge

**EXPANDED IMPACT**
- Goal: increased income
- Strategic Objectives
  - SO1: increased production
  - SO2: increased market access
  - SO3: greater resilience

**Note:** The Private Sector Finance Programme (PFSP) and the Adaptation for Smallholder Agriculture Programme+ (ASAP+) are multi-donor trust funds outside IFAD-only balance-sheet.

**Rural Poor Stimulus Facility**
Initiated by IFAD in response to COVID-19 towards inputs, market access, and financial and digital services.
Delivers tangible impact to people

Thanks to domestic co-financing of operations, IFAD earns the support of its member countries by surpassing targets on its stated goals.

- 77 million people improved their incomes
- 64 million people achieved greater market access
- 62 million people increased their production
- 38 million people strengthened their resilience

Results from IFAD 11 Impact Assessment Report 2019-2021
FINANCIAL STRENGTH

Capitalization
Liquidity
Shareholder support
Asset quality
Diversification
PCT

WHAT IS IFAD  VISION AND MANDATE  FINANCIAL STRENGTH  FUNDING  SDFF  ANNEXES
Overview of shareholding* structure
Large and geographically dispersed membership

177 Member States
- **Diversified** global shareholder base
- **Preferred Creditor Treatment**
- Robust **credit quality** with 19.5% of members being AAA
- **Highly-rated non borrowing countries** are significant shareholders

<table>
<thead>
<tr>
<th>Ratings status of shareholders</th>
<th>AAA: 19.5%</th>
<th>AA or better: 35.8%</th>
<th>A or better: 49.8%</th>
</tr>
</thead>
</table>

### Primarily contributing countries
<table>
<thead>
<tr>
<th>Countries</th>
<th>Voting rights**</th>
<th>Primarily recipient countries</th>
<th>Voting rights**</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>6.8%</td>
<td>China</td>
<td>2.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>4.2%</td>
<td>India</td>
<td>1.6%</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.9%</td>
<td>Brazil</td>
<td>0.8%</td>
</tr>
<tr>
<td>Italy</td>
<td>3.9%</td>
<td>Republic of Korea</td>
<td>0.5%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.8%</td>
<td>Mexico</td>
<td>0.5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.7%</td>
<td>Pakistan</td>
<td>0.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>3.5%</td>
<td>Egypt</td>
<td>0.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.4%</td>
<td>Argentina</td>
<td>0.4%</td>
</tr>
<tr>
<td>France</td>
<td>3.3%</td>
<td>Turkey</td>
<td>0.4%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2.9%</td>
<td>Angola</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other 30 members</td>
<td>21.6%</td>
<td>Other 127 members</td>
<td>31.6%</td>
</tr>
<tr>
<td><strong>Total: 40 members</strong></td>
<td><strong>61.2%</strong></td>
<td><strong>Total: 137 members</strong></td>
<td><strong>39.2%</strong></td>
</tr>
</tbody>
</table>

* Shareholders are IFAD Member States

** As at 4th January 2022
Strong historical donor support over 12 replenishment cycles

Top 10 Contributors since inception (contributions, US$7.0 billion)

United States: US$10.2 billion
United Kingdom
Germany
Netherlands
Italy
Japan
Canada
Sweden
France
Saudi Arabia

IFAD equity and replenishments

Top 10 contributors have been consistent with their support throughout 12 replenishment cycles.
**Strong capital base**

### 2022 IFAD Financial Position

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other assets</td>
<td>US$796</td>
</tr>
<tr>
<td>Liquidity</td>
<td>US$1,445</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>US$390</td>
</tr>
<tr>
<td>Borrowings</td>
<td>US$1,883</td>
</tr>
<tr>
<td>Net loans outstanding</td>
<td>US$7,998</td>
</tr>
<tr>
<td>Net equity</td>
<td>US$7,966</td>
</tr>
<tr>
<td>Total</td>
<td>US$10,239</td>
</tr>
</tbody>
</table>

- Moderate size of the balance sheet compared to peers
- More than 90% of loans financed through paid-in capital in the form of Member replenishment contributions, and prospects to grow through leverage
- Distribution of loan portfolio:
  - 79.5% highly concessional loans
  - 11.6% ordinary loans
  - 8.8% blend loans

*IFAD indicators on Equity, may differ from Fitch Equity indicator due to adjustments, as definition of Equity: Total equity net of retained earning.*
Globally diversified loan portfolio

- **93 countries**
- **198 ongoing projects**
- **IFAD financing US$7.9 billion**
- **Mobilization US$18.9 million**
- **Mobilization ratio 1.4**

Based on current portfolio, equal to ongoing portfolio plus approved and signed projects all of these pending to become effective/ongoing.

**Regions and Percentages**
- Asia: 52%
- Africa: 32%
- Latin America and the Caribbean: 6%
- Near East and Europe: 10%
Catalytic effect and long lasting strategic partnerships

IFAD’s main cofinanciers (since inception, US$33.6 billion)

<table>
<thead>
<tr>
<th>Category</th>
<th>US$ million ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governments</td>
<td>$13,390</td>
</tr>
<tr>
<td>Multi-Lateral Organisations</td>
<td>$10,245</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>$2,705</td>
</tr>
<tr>
<td>Dom. Fin. Inst.</td>
<td>$2,437</td>
</tr>
<tr>
<td>Bi-Lateral Organisations</td>
<td>$2,096</td>
</tr>
<tr>
<td>Private Sector Organisations</td>
<td>$949</td>
</tr>
<tr>
<td>Inter-Governmental Organisations</td>
<td>$944</td>
</tr>
<tr>
<td>United Nations Agencies</td>
<td>$379</td>
</tr>
<tr>
<td>Regional Organisation</td>
<td>$243</td>
</tr>
<tr>
<td>Non-Governmental and NGOs</td>
<td>$232</td>
</tr>
</tbody>
</table>
## Loan portfolio distribution: global exposure

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Fitch rating</th>
<th>Outstanding (US$ million)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangladesh</td>
<td>BB-</td>
<td>550</td>
<td>6.7%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>A+</td>
<td>534</td>
<td>6.5%</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>BBB-</td>
<td>481</td>
<td>5.8%</td>
</tr>
<tr>
<td>4</td>
<td>Ethiopia</td>
<td>CCC</td>
<td>404</td>
<td>4.9%</td>
</tr>
<tr>
<td>5</td>
<td>Pakistan</td>
<td>CCC</td>
<td>355</td>
<td>4.3%</td>
</tr>
<tr>
<td>6</td>
<td>Uganda</td>
<td>B</td>
<td>255</td>
<td>3.1%</td>
</tr>
<tr>
<td>7</td>
<td>Nigeria</td>
<td>B-</td>
<td>254</td>
<td>3.1%</td>
</tr>
<tr>
<td>8</td>
<td>Viet Nam</td>
<td>BB</td>
<td>254</td>
<td>3.1%</td>
</tr>
<tr>
<td>9</td>
<td>Indonesia</td>
<td>BBB-</td>
<td>249</td>
<td>3.0%</td>
</tr>
<tr>
<td>10</td>
<td>Tanzania</td>
<td>B</td>
<td>230</td>
<td>2.8%</td>
</tr>
<tr>
<td></td>
<td><strong>Total Top 10</strong></td>
<td></td>
<td><strong>3,569</strong></td>
<td><strong>43.4%</strong></td>
</tr>
<tr>
<td>11-99</td>
<td>Remaining countries</td>
<td></td>
<td><strong>4,662</strong></td>
<td><strong>56.6%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total portfolio</strong></td>
<td></td>
<td><strong>8,231</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Outstanding balance pertaining to principal only
High loan portfolio quality
Strong preferred creditor treatment that mitigates credit risk

Countries prioritize payment to IFAD

Low NPLs of only 2.1% with NPL track record aligned to the experience of peers

Supported by strict suspension rules

Strong preferred creditor treatment despite the challenging environment
In support of all sectors of rural agriculture

IFAD's current portfolio by sector:
- 31% Access to Markets
- 4% Environment and Natural Resources
- 11% Inclusive Rural Finance
- 14% Policy and Institutions
- 25% Production Sectors
- 13% Programme Management
- 2% Social Services

Based on current portfolio
**Liquidity management**

High quality portfolio, focused on capital preservation

**Portfolio composition by currency**
Total portfolio US$1.4 billion

- 63% USD
- 37% EUR

Currency composition guided by ALM

**Portfolio composition by products**

- 4% Corporates
- 23% Financial institutions
- 41% Cash

Maximum country and issuer exposure: 25% of the portfolio

**Rating composition of the investment portfolio**

- AA and better, above 70% of investments
- AA+, AA, A+, A, A-,
- AAA, AA, A, A-

Security: preservation of the value of invested assets
Liquidity: resources must be readily available if and as required by Operations
Return: the highest possible return within the above conditions in a non-speculative manner
Integrated Risk Management Policy Framework

Capital Adequacy Policy

To preserve IFAD’s capital from erosion and ensure efficient utilization of capital
- Deployable capital: > 0 per cent
- Core risk capital consumption: < 80 per cent
- Non-core risk capital consumption: < 10 per cent
- Buffer: 10 per cent

ALM Framework

To ensure monitoring and management of risks emerging from a more diversified asset and liability profile

Liquidity Policy

To ensure that IFAD hold a safe liquidity buffer to support borrowers in adverse situations
- Minimum Liquidity Requirement: 12 months of projected disbursements of loans, grants and scheduled repayments of debt
- Target Liquidity Level: 80-100 per cent of 24 months of stressed net cash flows

Investment Policy Statement

To ensure a very conservative approach to the investment portfolio asset allocation, aiming to improved liquidity and quality of treasury assets
Enhanced Fiduciary Risk Management Framework

**Design and approval**
Financial management assessment determines risk level and mitigating measures, eligible expenditure* identified in the Financing Agreement

**Ex-ante**
Fast checks to ensure that funds are requested by the appropriate authority and disbursed to the designated accounts; no checks on eligibility

**Ex-post**
Periodic checks during the project’s life by external auditors and IFAD staff to ensure funds are used for intended purposes and financial management arrangements are appropriate

*Eligible expenditure must meet the criteria as defined in IFAD’s General Conditions. More detail is then subsequently provided in Financing Agreements and in project-specific documentation. Every year, projects submit an Annual Work Plan and Budget for IFAD’s no-objection; eligibility is verified ex-post.
Continuous Fiduciary Management during Project Implementation

**ANNUAL EXTERNAL AUDITS**
- Annual audit in accordance with international standards
- Reviews and follow-up with project teams (ranging from internal control weaknesses to ineligible expenses)

**ANNUAL SUPERVISION MISSIONS**
- Review and update of financial management assessments depending on performance (and audit findings)
- Review of the Statements of Expenditure submitted by the projects

**STATEMENT OF EXPENDITURE (SOE) REVIEW PROCESS**

1. **Step 1**
   - Identify and select random samples (minimum 30% of expenditure)

2. **Step 2**
   - Review all supporting documentation and identify all discrepancies

3. **Step 3**
   - Discuss discrepancies with project finance manager

4. **Step 4**
   - IFAD and project agree on action items* to improve financial performance

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*Occasionally, ineligible expenses are identified in audits and/or supervision missions. A range of ‘soft’ remedies are applied before IFAD decides to suspend a project and/or country portfolio.
IFAD’s Solid Credit Rating

**S&P Global Ratings**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Outlook</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA+</td>
<td>Stable Outlook</td>
<td>Long-Term foreign currency issuer credit ratings</td>
</tr>
<tr>
<td>A-1+</td>
<td>Stable Outlook</td>
<td>Short-Term foreign currency issuer credit ratings</td>
</tr>
</tbody>
</table>

**Fitch Ratings**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Outlook</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA+</td>
<td>Stable Outlook</td>
<td>Long-Term issuer rating</td>
</tr>
<tr>
<td>F1+</td>
<td>Stable Outlook</td>
<td>Short-Term issuer rating</td>
</tr>
</tbody>
</table>

**VERY STRONG CAPITAL STRUCTURE**
- Excellent capitalization with equity increasing since inception, thanks to successful replenishments
- Fitch equity/assets ratio to far exceed the 25% ‘excellent’ threshold

**PREFERRED CREDITOR TREATMENT**
- Moderate credit risk
- Preferred creditor treatment
- Relatively small size and low debt servicing costs, affordable loans

**GLOBAL BEST PRACTICES IN RISK MANAGEMENT**
- Strong financial and risk policies adapted to meet changing funding structure
- Experienced Treasury and Risk team

**LIQUIDITY: HIGH, AND IMPROVING QUALITY – AMPLE SIZE**
- Strong liquidity, bolstered by a well-managed liquidity policy
- High-quality investment portfolio

**CLOSE ALIGNMENT WITH POLICY PRIORITIES OF MEMBERS**
- Importance of policy mandate with agricultural and rural development key to meet SDGs
- Full government ownership for successful project implementation

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**FUNDING VISION AND MANDATE**

**ANNEXES**
FUNDING

Strong rating
Prudent leverage
Sovereign support
No poverty
Zero hunger
Low risk
IFAD's leverage development

- Approval of Sovereign Borrowing Framework and first bilateral loan agreement
  - IFAD9 delivery: US$3.0 billion

- Approval of Concessional Partner Loan Framework
  - IFAD10 delivery: US$3.2 billion
  - First concessional partner loan

- Creation of the Sustainable Development Finance Framework (SDFF) that will allow IFAD to issue 100% ESG issuances
  - IFAD11 delivery: US$3.5 billion

- First Non-USD denominated Private placement
  - IFAD12 target delivery: US$3.5 billion

- Approval of credit rating process

- AA+ rating by Fitch and S&P

- Approval of Integrated Borrowing Framework

- First ESG private placement under the EMTN and SDFF
## Funding strategy for years 2023-2024

Guided by IFAD’s **Integrated Borrowing Framework**

Targeting private institutional investors with a strong ESG focus and alignment with IFAD’s mission

Through bilateral loans and private bond placements

Funding needs of **US$150 million** for year 2023 and **US$150 million** for year 2024

Focused on **US$$ and EUR**
## IFAD’s Sustainable Private Placements

<table>
<thead>
<tr>
<th>Year</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Coupon</th>
<th>Currency</th>
<th>Amount</th>
<th>Link of PR</th>
<th>Market</th>
<th>ISIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>7</td>
<td>10/06/2023</td>
<td>3.263%</td>
<td>USD</td>
<td>US$100 million</td>
<td>Press Release 1st Issuance</td>
<td>Sweden</td>
<td>XS2490415135</td>
</tr>
<tr>
<td>2022</td>
<td>15</td>
<td>22/03/2037</td>
<td>3.591%</td>
<td>USD</td>
<td>US$50 million</td>
<td>Press Release 2nd Issuance</td>
<td>Japan</td>
<td>XS2492704239</td>
</tr>
<tr>
<td>2023</td>
<td>12</td>
<td>30/05/2035</td>
<td>3.096%</td>
<td>EUR</td>
<td>€65 million</td>
<td>Press Release 3rd Issuance</td>
<td>Germany</td>
<td>XS2607061798</td>
</tr>
<tr>
<td>2023</td>
<td>15</td>
<td>01/06/2038</td>
<td>3.500%</td>
<td>EUR</td>
<td>€115 million</td>
<td>Press Release 4th Issuance</td>
<td>France</td>
<td>XS2630467657</td>
</tr>
</tbody>
</table>
Funding and alignment to SDGs through IFAD’s SDFF

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
Funding and alignment to SDGs through IFAD’s SDFF

1. Use of proceeds
An amount equal to the net proceeds from loans to IFAD or private placement bonds issued by IFAD will be included in IFAD’s resources. IFAD will use these resources to finance or refinance Eligible Development Projects (EDPs) in member countries. Proceeds from loans or bond private placements will not be used to finance IFAD’s administrative and operating expenses, nor to finance expenses for grants, as these expenses are covered entirely by replenishment contributions from IFAD’s Member States Replenishment contributions.

2. Process for project evaluation and selection
EDPs go through a rigorous review and approval process to ensure that they align with IFAD’s mission and meet development priorities of borrowing governments, as detailed in the jointly developed Country Strategic Opportunities Programmes (COSOP) or Country Strategies.

3. Management of proceeds
The proceeds from loans and bond private placements sourced under the SDFF will be allocated within IFAD’s investment portfolio to a special sub-portfolio linked to IFAD’s lending operations to “EDPs”.

4. Reporting
IFAD will produce an annual impact report under the SDFF. The report will include the total amount of financing approved under the framework with a lookback period of 36 months, disbursement patterns and outstanding balance of proceeds from loans and private bond placements as well as planned or achieved results.
IFAD’s projects contribute to the SDG strategic priorities

<table>
<thead>
<tr>
<th>ENVIRONMENT AND NATURAL RESOURCES</th>
<th>PRODUCTION SECTORS</th>
<th>INCLUSIVE RURAL FINANCE</th>
<th>SOCIAL SERVICES</th>
<th>ACCESS TO MARKETS</th>
<th>POLICY AND INSTITUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLIMATE CHANGE ADAPTATION AND MITIGATION</td>
<td>GENDER</td>
<td>YOUTH</td>
<td>NUTRITION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFAD's projects contribute to the SDG strategic priorities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
High social, environmental and climate standards (SECAP) requirements for borrowers, recipients and partners

### SECAP assessment throughout the project cycle

<table>
<thead>
<tr>
<th>PROJECT STAGE</th>
<th>SECAP PROCEDURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Concept (OSC)</td>
<td>Screening and categorization</td>
</tr>
<tr>
<td>2 Design (DRM)</td>
<td>Assessment</td>
</tr>
<tr>
<td>3 QAG desk review</td>
<td>Monitoring</td>
</tr>
<tr>
<td>4 Loan negotiation</td>
<td></td>
</tr>
<tr>
<td>5 Board approval</td>
<td></td>
</tr>
<tr>
<td>6 Implementation</td>
<td></td>
</tr>
<tr>
<td>7 Completion</td>
<td>Evaluation</td>
</tr>
</tbody>
</table>

**OSC** Operational Strategy and Guidance Committee; **DRM** Design review meeting; **QAG** Quality Assurance Group

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Biodiversity conservation

Cultural heritage

Resource efficiency and pollution prevention

Community health and safety

Physical and economic resettlement

Indigenous peoples

Climate Change (NEW)

Labour and working conditions (NEW)

Financial intermediaries (NEW - private sector)
Tracking of SDG Contribution

IFAD’s projects capture information about a core set of activities, which can be matched against SDGs targets. The matching process assessed alignment between the types of results generated by each activity, measured through quantitative core indicators (CI), and the objective of the SDG target.

The contribution of a CI to an SDG target is deemed **DIRECT** if the alignment of the CI’s outputs/outcomes to the SDG target is a perfect or close to perfect match. The contribution is deemed **INDIRECT** if the alignment of the CI’s outputs/outcomes to the SDG target (s) is secondary – that is to say it creates an additional benefit by investing in these activities.

This mapping allows IFAD to relay to stakeholders, including member states, investors, and the public, how IFAD has helped to deliver against each SDG target.
### Example of SDG tracking: Nutrition – Indicator 1.1.8

<table>
<thead>
<tr>
<th>Core Indicator</th>
<th>SDG Goal</th>
<th>Specific SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.1.8</strong></td>
<td>2</td>
<td><strong>2.1</strong> DIRECT LINK</td>
</tr>
<tr>
<td>IFAD CORE INDICATOR</td>
<td></td>
<td>End hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</td>
</tr>
<tr>
<td>Number of persons/households provided with targeted support to improve their nutrition</td>
<td>2</td>
<td><strong>2.2</strong> INDIRECT LINK</td>
</tr>
<tr>
<td><strong>2</strong> ZERO HUNGER</td>
<td>6</td>
<td><strong>6.1</strong> INDIRECT LINK</td>
</tr>
<tr>
<td><strong>6</strong> CLEAN WATER AND SANITATION</td>
<td></td>
<td>By 2030, achieve universal and equitable access to safe and affordable drinking water for all</td>
</tr>
</tbody>
</table>

**2.1** DIRECT LINK

**2.2** INDIRECT LINK

**6.1** INDIRECT LINK
Result-based programmes and projects that transform lives of poor rural people

WHAT IS IFAD   VISION AND MANDATE   FINANCIAL STRENGTH   FUNDING   SDFF   ANNEXES
Angola
Smallholder Resilience Enhancement Project (SREP)

OBJECTIVE
Improving the food and nutrition security of targeted households and boosting agricultural productivity and the resilience of targeted households.

EXPECTED RESULTS
- Provision of services to 218,000 poor rural households, 65,400 households in the south and 152,000 households in the north
- Developing of rural infrastructure to build resilience and enhance productivity and market access, with 40,000 households reporting improved access to water, land and road infrastructure

KEY FACTS
- Sector: rural development
- Approval year: 2019
- Tenor: 23 years including a grace period of 7 years
- Total financing: USD 150 million
- IFAD financing: USD 29,755 million

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- Tenor: 23 years including a grace period of 7 years
- Total financing: USD 150 million
- IFAD financing: USD 29,755 million
OBJECTIVE
Assisting rural households to increase their incomes, food and nutritional security and resilience in targeted upland areas. UPLANDS will directly work with rural households, farmers’ group and women’s group. High priority is given to youth.

EXPECTED RESULTS
- **30,000 households** direct beneficiaries in 7 provinces of Indonesia

KEY FACTS
- **Sector:** agricultural development
- **Approval year:** 2019
- **Tenor:** 13 years including a grace period of 6 years
- **Total financing:** USD 151.66 million
- **IFAD financing:** USD 50.0 million
COVID-19 Rural Poor Stimulus Facility

**PROVISION OF INPUTS AND BASIC ASSETS FOR PRODUCTION**

Inputs and basic assets provided to small-scale farmers to support production and weather immediate effects of economic crisis

**FACILITATED ACCESS TO MARKETS**

Support market access, including logistics and storage support to avoid losses, facilitating transport, and ensuring markets remain open and demand high

**ADAPTED FINANCIAL SERVICES**

Delivery of targeted funds through existing finance institutions in IFAD project areas to ensure businesses remain solvent and farmers meet immediate loan repayment requirements

**DIGITAL SOLUTIONS TO SHARING INFORMATION**

Provision of digital agricultural services to facilitate up-to-date information on production, weather, market prices and other important areas
IFAD Crisis Response Initiative (CRI)

ENSURE ACCESS TO INPUTS
such as breeding stock, seeds, fodder, fuel, fertilizer and technology

FACILITATE ACCESS TO MARKETS
and market-related information

SUPPORT ACCESS TO FINANCE
for immediate needs of small-scale producers, enterprises and rural households

INVEST IN SMALL-SCALE INFRASTRUCTURE
to improve productive capacity and reduce post-harvest losses

The role of IFAD in a crisis is to promote resilience-building and capacity to mitigate the impact of shocks and protect longer-term development gains.

IFAD’s new Crisis Response Initiative will protect livelihoods, help smallholder farmers tap into new markets, and support sustainable food systems.
IFAD governance structure

**Governing Council**: Held annually, the Governing Council is the Fund’s main decision-making body and is open to all Member States.

**Executive Board**: Held three times a year, the Executive Board is responsible for overseeing the general operations of IFAD and for approving its programme of work. Membership on the Executive Board is determined by the Governing Council.

**Evaluation Committee**: The Evaluation Committee is a sub-committee of the Executive Board which performs in-depth reviews of selected evaluation issues and the Independent Office of Evaluation’s strategies and methodologies.

**Audit Committee**: The Audit Committee is a sub-committee of the Executive Board of IFAD and deals with audit-related matters on an ad hoc basis.

**Management**: The President chairs the Executive Board and is responsible for overall management of the Fund. The President is selected by the Member States for a four-year term that is renewable once.
## Capital Adequacy Policy

**Deployable capital (DC)** is the main measure to assess IFAD’s capital utilization and the availability of resources to support future commitments. It is composed of:

- **Total initial capital available (ICA):** Total equity – contributions and promissory notes receivable + allowance for loan losses
- **Total resources required (TRR):** The aggregation of capital requirements for IFAD’s risk exposure (valuation adjustment, credit risk, currency risk, market risk in the investment portfolio and operational risk)
- **Buffer**

**Metrics and thresholds**

- Deployable capital (DC) = > 0%
- Core risks < 80%
- Non-core risks < 10%
- Buffer = 10% of initial capital available (ICA)
- Nominal country exposure = < 20%
- Leverage = Financial Liabilities/ICA = 35%-50%

## Liquidity Policy

Liquid assets compared to the:

- Minimum Liquidity Requirement (MLR) and
- Target Liquidity Level (TLL)

**Metrics and thresholds**

- Minimum Liquidity Requirement: 12 months of projected disbursements of loans, grants and scheduled repayments of debt
- Target Liquidity Level: 80-100 per cent of 24 months of stressed net cash flows
### Risk metrics at a glance 2/2

#### Investment Policy Statement

*The risk tolerance level for the portfolio is set at a conditional value at risk of 3%.*

<table>
<thead>
<tr>
<th>Credit rating for eligible asset classes</th>
<th>Individual assets: A- or above (AAA for Asset Backed Securities) Overall portfolio must be 60% in AA- or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration limits such as maximum country and issuer exposure</td>
<td>Determined in IFAD’s investment guidelines</td>
</tr>
<tr>
<td>Risk measurements include duration, standard deviation, ex ante tracking error (active risk), value at risk (VaR) and conditional value at risk (CVaR)</td>
<td>IFAD’s main market risk measure is CVaR, set at 3% for the one-year CVaR at 95% confidence level. Overall portfolio duration must be no lower than zero (i.e. divesting into cash, lower limit) and no higher than five years (upper limit).</td>
</tr>
<tr>
<td>Percentage deviation from target currency ratios</td>
<td>IFAD aims to ensure that its assets are held in the same currency composition as its future commitments</td>
</tr>
</tbody>
</table>

#### Integrated Borrowing Framework

- Debt/Equity < 35 per cent, defined as (Total outstanding debt principal/Initial capital available)
- Liquidity > 5 per cent, defined as (Cash in hand and in banks + investments)/total assets
- Debt coverage < 50 per cent, defined as Total debt service (principal and interest)/total loan reflows
Financial highlights

As at December 2022, IFAD was compliant with all the risk limits established in the exposure management framework set out in the Capital Adequacy Policy.

<table>
<thead>
<tr>
<th>Limit (%)</th>
<th>Dec 2022 (%)</th>
<th>Dec 2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deployable capital</td>
<td>&gt;0</td>
<td>39.5</td>
</tr>
<tr>
<td>Target limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leverage</td>
<td>35-50</td>
<td>24.9</td>
</tr>
<tr>
<td>Core risk capital consumption</td>
<td>&lt;80</td>
<td>48.3</td>
</tr>
<tr>
<td>Non-core risk capital consumption</td>
<td>&lt;10</td>
<td>2.2</td>
</tr>
<tr>
<td>Prudential limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single country limit</td>
<td>&lt;20</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Despite the gradual introduction of debt, the capitalization of IFAD is extremely strong: Equity represents 78% of IFAD’s total Assets (including receivables).

<table>
<thead>
<tr>
<th>Assets in US$ million in nominal terms</th>
<th>Dec 2022</th>
<th>Dec 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>1 445</td>
<td>1 405</td>
</tr>
<tr>
<td>Net contributions and promissory note receivables</td>
<td>550</td>
<td>842</td>
</tr>
<tr>
<td>Outstanding loans</td>
<td>8 258</td>
<td>8 234</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>(151)</td>
<td>(118)</td>
</tr>
<tr>
<td>Allowance for the Heavily Indebted Poor Countries Initiative</td>
<td>(109)</td>
<td>(5)</td>
</tr>
<tr>
<td>Other assets</td>
<td>246</td>
<td>238</td>
</tr>
<tr>
<td>Total assets</td>
<td>10 239</td>
<td>10 596</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Equity in US$ million in nominal terms</th>
<th>Dec 2022</th>
<th>Dec 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing liabilities</td>
<td>1 883</td>
<td>1 527</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>391</td>
<td>485</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2 274</td>
<td>2 012</td>
</tr>
<tr>
<td>Contributions</td>
<td>10 185</td>
<td>10 104</td>
</tr>
<tr>
<td>General reserve and retained earnings</td>
<td>(2 219)</td>
<td>(1 520)</td>
</tr>
<tr>
<td>Total equity</td>
<td>7 966</td>
<td>8 584</td>
</tr>
<tr>
<td>Total liabilities + equity</td>
<td>10 239</td>
<td>10 596</td>
</tr>
</tbody>
</table>

The Fund’s Deployable capital ratio was 39.8%, well above its prudential limit of 0%.

Numbers based on IFAD-only Balance Sheet.
CONTACTS AND PUBLICATIONS

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www.ifad.org
www.ifad.org/en/investors
Email: funding@ifad.org

IFAD Annual Report 2021
Audited financial statements 2022
S&P rating report
Fitch rating report

IFAD's Sustainable Development Finance Framework
IFAD13 Replenishment
IFAD SECAP procedures
IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025
IFAD Strategic Framework 2016-2025

WHAT IS IFAD | VISION AND MANDATE | FINANCIAL STRENGTH | FUNDING | SDFF | ANNEXES