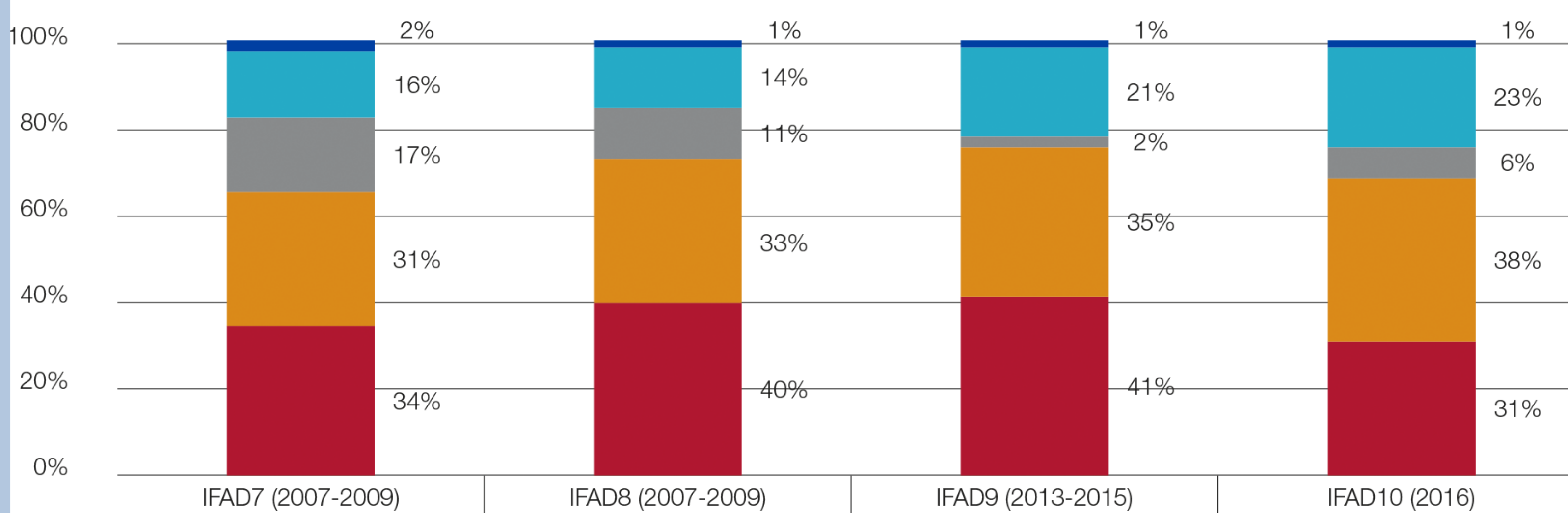




In line with the **Agreement Establishing IFAD**, the **Fund** relies on **replenishment contributions** from **Member States** as its main source of financing.

Other non-reimbursable sources of funding include:



**LOANS & GRANTS
CONSISTENTLY
INCREASED**
IFAD7 (2007-2009) TO
IFAD8 (2010-2012)

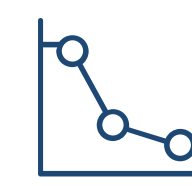


**INABILITY TO SUPPORT
IFAD's EXPANDING
PORTAFOLIO
SINCE IFAD9 (2013)**

- Replenishment receipts
- Loan principal and interest receipts
- Treasury investment income
- Supplementary and Complementary funds
- Other income



Replenishment contributions and reflows insufficient to finance desired level of loans and grants



Due to low interest rate trends, income derived from treasury investments decreased



Agenda 2030 and the **SDGs** require a significant increase in funding, and IFAD has limited leverage of its equity

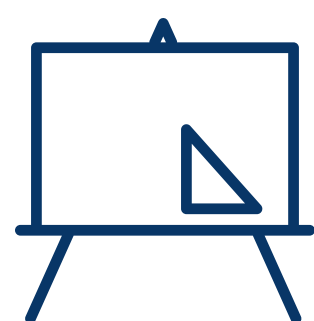


KEY FINDINGS



ALLOCATION OF RESOURCES

The current system is based on the performance-based allocation system (PBAS). Although some issues need to be addressed, the PBAS improved transparency and fairness in the allocation of IFAD's resources.



FINANCIAL SUPPORT INSTRUMENTS

IFAD offers a limited range of financial products and flexibility of lending terms.

FINANCIAL OVERSIGHT

Current internal and external oversight system is adequate for a low-risk environment, but needs revisiting if borrowing increases.

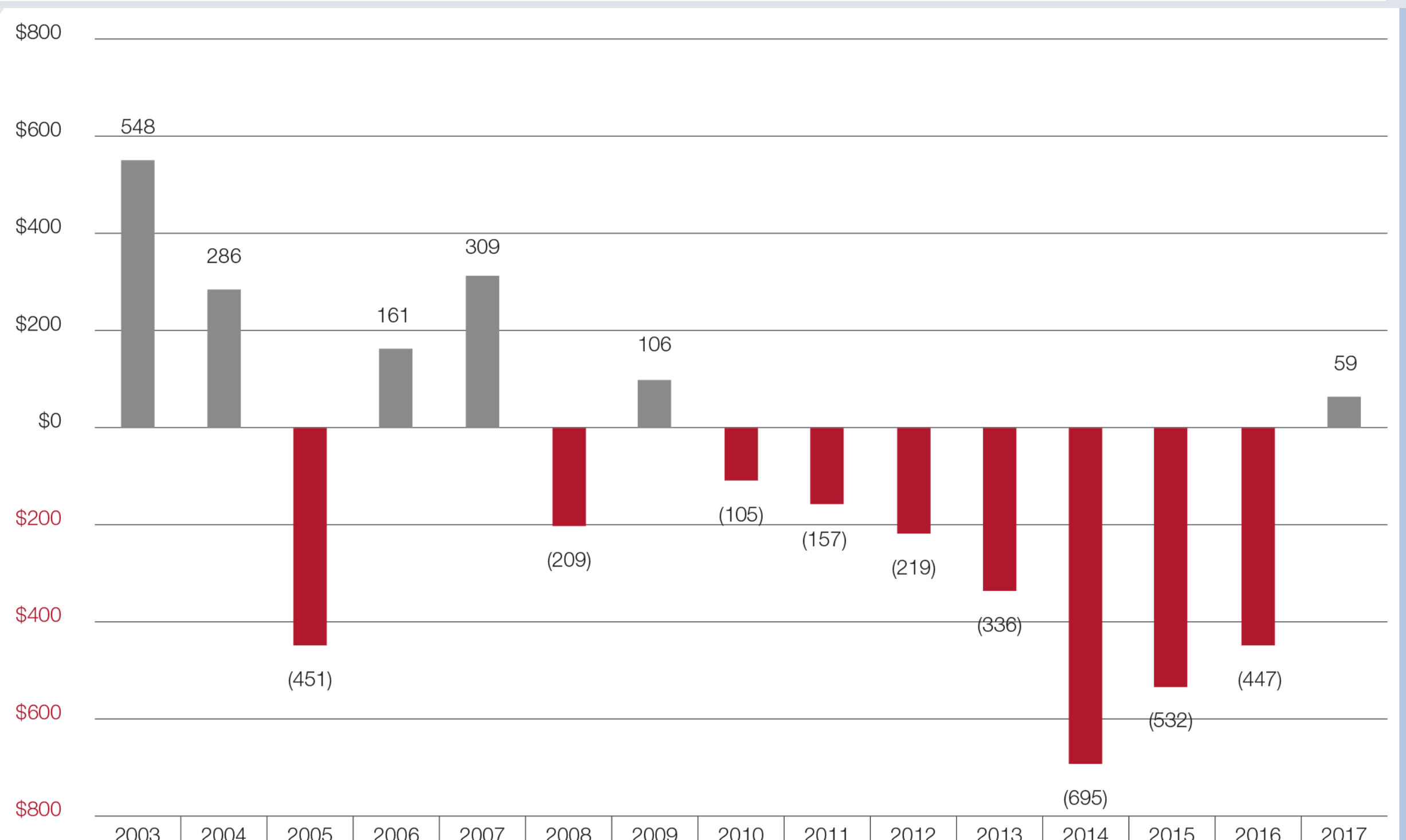
Roles and responsibilities for risk management are defined in broad terms in IFAD's policies

IFAD has limited use hedging instruments against foreign exchange risks

The financial background of Governing Bodies members

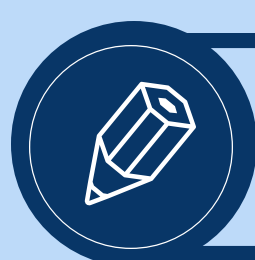
IFAD has limited leveraging. Thresholds were established for debt-to-equity ratio

IFAD's net incomes/loss 2003 - 2017 (Millions of United States dollars)



FINANCIAL SUSTAINABILITY

IFAD has incurred financial losses in the past decade, resulting in an erosion of its capital base



CONCLUSIONS

AFTER

40
years

OF OPERATION

To ensure long-term sustainability and fulfill its mandate, **IFAD's financial architecture** requires important **reforms**, which must address the **following dimensions**:



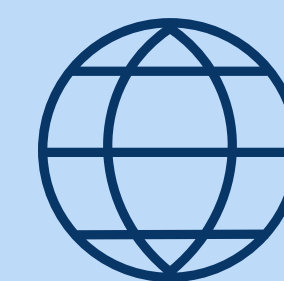
Mobilization of financial resources



System for allocating financial resources



Financial sustainability of the Fund as well as internal and external financial governance features



Financial products available to respond to the rural development needs and demands of borrowing **member countries**



RECOMMENDATIONS

1 Improve financial sustainability

IFAD needs to address uncertainty regarding future Debt Sustainability framework (DSF) compensation

2 Enhance the flexibility of current financial products and consider new products

IFAD should provide wider options regarding its financial products

3 Revise the financial allocation system

If IFAD increases its leverage through borrowing, it will need to on-lend the proceeds for ordinary loans to avoid losses

4 Conduct preparatory work for potential access to capital markets

to review the requirements to obtain a high credit rating

5 Strengthen IFAD's financial governance

IFAD must elaborate more detailed policies for asset and liability management and risk management

Independent office
of evaluation



Investing in rural people

International Fund for Agricultural Development (IFAD)

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