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 portfolio since IFAD9 (2013)

**Other non-reimbursable sources of funding include:**

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

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

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

- **Financial Support Instruments**
  - Roles and responsibilities for risk management are defined in broad terms in IFAD’s policies.

- **Inability to Support**

- **Financial Support Instruments**
  - IFAD has limited use of hedging instruments against foreign exchange risks.

- **Inability to Support**
  - IFAD has limited leveraging; thresholds were established for debt-to-equity ratio.

- **Financial Support Instruments**
  - The financial background of Governing Bodies members.

**IFAD’s Net Incomes/Losses 2003 - 2017 (Millions of United States dollars)**
To ensure long-term sustainability and fulfill its mandate, IFAD’s financial architecture requires important reforms, which must address the following dimensions:

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

Conclusions

Recommendations