



Viet Nam

Nguyen Thi Chi runs her own broom production facility. She sells her brooms in the local markets of Ben Tre province and provides part-time employment for 11 other women.

©IFAD/Nguyen Hoang Sanh

Financing for the future

In recent years, aware that official development assistance would not be sufficient to take us where we need to go, IFAD has embarked on various reforms in our financial architecture. In 2023, we consolidated and moved forward with our new financial framework, taking further steps to put us in a position to reach more rural people in the years to come.

A funding model to help reach the SDGs

In 2023, Fitch Ratings and S&P Global Ratings both confirmed IFAD's AA+ ratings for the second time. This is a continued testament to IFAD's financial strength and its prudent financial and risk management policies.

Backed by the credit rating, in 2023 IFAD continued to broaden its funding sources and to deepen its presence in capital markets.

During the first quarter of 2023, we drew down the first tranche of our loan with the European Investment Bank (EIB), which had been signed in the final quarter of 2022. The partnership was the first financial agreement signed by IFAD with the EIB. It is focused on our shared goals of strengthening food security and reducing poverty in rural areas, in line with IFAD's core mission and part of the EIB Global programme.

During the second quarter of 2023, IFAD issued two euro-denominated sustainable bond private placements – worth EUR 180 million – under our Sustainable Development Finance Framework. By December 2023, IFAD had secured a total of US\$1.05 billion, or 85 per cent of the overall borrowing for the twelfth replenishment cycle.

In November, at a ceremony at the London Stock Exchange, we launched our first impact report, which was aligned with the International Capital Market Association's harmonized framework for impact reporting.

The impact report showed how the proceeds of the bonds issued in 2022 would be contributing directly to eight SDGs and indirectly to an additional eight SDGs, based on the mapping of IFAD's core indicators with the SDGs.

It is expected that the bond proceeds will be used to support 1,977,669 rural household members, train 15,750 people in income-generating activities or business management, construct water-related infrastructure on 19,500 hectares of land and bring 105,400 hectares of land under climate-resilient practices.

Financing for the future

IFAD's investments in securities are safeguarded by rigid principles to ensure that the issuer adheres to fundamental frameworks on human rights, labour, environment and anti-corruption, as set out in the Ten Principles of the United Nations Global Compact. A targeted percentage of IFAD's liquidity portfolio is invested in green bonds and other thematic environmental, social and governance securities.

Enhancing financial frameworks and disbursement models

In 2023, we successfully concluded the series of financial management and disbursement reforms that were initiated in 2021 and aimed at ensuring more streamlined and principle-based processes. These reforms have led to the establishment of a more robust fiduciary assurance framework and an enhanced disbursement model.

We have now completed the full transition of all IFAD-financed projects to report-based disbursement. Based on this system, an interim financial report serves not only disbursement purposes but also financial reporting purposes. This allows continuous assessment of the financial progress of projects, providing agility in processing disbursement without cumbersome supporting documentation.

We have also enhanced the IFAD Client Portal for more streamlined disbursement processing, shifting away from mainly compliance transactional approaches towards more implementation and advisory support. The focus is now on ensuring strategic guidance, closer monitoring and support to projects.

Another way we are streamlining our financial management is by taking advantage of new financial technologies, such as TRACE blockchain. In 2023, we expanded TRACE blockchain to new countries, including Bangladesh, Ethiopia, Jordan and Kenya. Blockchain technology is used to trace funds from donor to farmer, thereby increasing the transparency of disbursements, improving efficiency and reducing the risk of error or fraud.

In 2023 the time taken to approve withdrawal applications fell from three days to less than half a day, on average, which demonstrates the efficiency improvements that have been realized. These efforts are helping us to increase the accountability and efficiency of disbursements, ensure rapid financing of IFAD projects and provide donors with confidence in our use of funds.

A holistic approach to managing risk

We are advancing a holistic risk management framework through a three pillars of assurance mechanism, which began implementation in 2022. We have introduced systematic peer reviews of key processes, stepped up staff reskilling efforts and conducted technical deep dives at the regional level. These deep dives were a response to outcomes of external audit peer reviews and supervision mission reviews, and aim to harmonize risk management approaches across decentralized teams and share knowledge and good practices.

In 2023, IFAD's financial crime function successfully prevented us from engaging with 38 high-risk parties and required enhanced monitoring of 134 parties. We have enhanced our financial crime software, which automatically screens thousands of parties in IFAD's files against one of the largest financial crime databases in the industry. This allows us to more comprehensively screen for relevant sanctions, money laundering, terrorism financing and related risks. We have taken further steps to integrate the software with IFAD's project software, allowing downstream parties to be comprehensively screened for potential financial crime issues. This enhancement ensures IFAD's oversight of its downstream parties while also supporting compliance with obligations to donors and other stakeholders.

In addition, during the year, IFAD's controllership function assessed and supported 15 IFAD offices and issued 39 recommendations for control enhancements.

These recommendations have been fully implemented. The controllership function supports the delegation of authority within IFAD, mitigating risks that might arise from decentralization, business process control failures, and potential fraud and error – and increasing business efficiency. We launched IFAD's first mandatory delegation of authority training in 2023, with over 350 staff now having taken the training.