The Lending Policies and Criteria were adopted by the Governing Council at its Second Session on 14 December 1978.

They were amended by the Governing Council at its Seventeenth Session on 28 January 1994 (Resolution 83/XVII), its Eighteenth Session on 26 January 1995 (Resolution 89/XVIII), its Nineteenth Session on 18 January 1996 (Resolution 94/XIX), its Twentieth Session on 21 February 1997 (Resolution 101/XX), its Twenty-First Session on 12 February 1998 (Resolution 106/XXI), and its Twenty-Ninth Session on 16 February 2006 (Resolution 143/XXIX).

At its Thirty-Sixth Session on 14 February 2013 (Resolution 178/XXXVI), the Governing Council adopted a revised version of the Lending Policies and Criteria, which is now renamed as “Policies and Criteria for IFAD financing”.

They were amended by the Governing Council at its Forty-First Session on 14 February 2018 (Resolution 198/XLI).

They were amended by the Governing Council at its Forty-second Session on 14 February 2019 (Resolution 207/XLI and Resolution 209/XLI).
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I. Introduction

1. Article 7, section 2(d) of the Agreement Establishing IFAD (the Agreement) provides that “[d]ecisions with regard to the selection and approval of projects and programmes shall be made by the Executive Board” and that such decisions shall be made “on the basis of the broad policies, criteria and regulations established by the Governing Council.”

2. In implementation of this provision, IFAD’s Governing Council adopted the Lending Policies and Criteria at its Second Session in December 1978. Paragraph 3 of the Lending Policies and Criteria stated that the policies and criteria outlined in the document reflected only the initial attempt to translate the objectives and priorities set out in articles 2 and 7 of the Agreement into concrete criteria and guidelines, and that they would be reviewed periodically in the light of actual experience.

3. The Lending Policies and Criteria were amended by the Governing Council several times between 1994 and 1998, but the document was not updated or reviewed thereafter. In 2010 the Governing Council instructed the Executive Board to “submit to the thirty-fourth session of the Governing Council in 2011 revised Lending Policies and Criteria that shall take into account all developments since the last revision of the Lending Policies and Criteria in 1998 and express concisely and clearly the broad policies and criteria applicable to financing by the Fund.” As a result, the Policies and Criteria for IFAD Financing were adopted by the Governing Council in February 2013. In 2018 and in 2019, the Policies and Criteria for IFAD Financing were amended to reflect changes required to give effect to the transition framework and the engagement with the private sector.

4. IFAD has now evolved to the point where it is not possible to set out all of the policies and criteria that guide its work in a single document. The detailed policies adopted by the Governing Council and the Executive Board, mentioned in paragraph 12 below, provide guidance to the staff of the Fund, and to its governing bodies, as they work to achieve its objective. The Governing Council, while retaining its authority to establish the broad policies, criteria and regulations that govern financing by the Fund, acknowledges that the Executive Board has the primary responsibility to set out the detailed policies governing such financing, and adopts these Policies and Criteria for IFAD Financing accordingly.

5. The Governing Council, exercising the authority conferred on it by the Agreement, shall monitor the work of the Executive Board in setting out policies governing financing by the Fund, and shall review these Policies and Criteria for IFAD Financing periodically to ensure that they provide a sound framework for the work of the Executive Board.

1 Resolution 158/XXXIII
II. Objectives and priorities

6. **Objective.** Article 2 of the Agreement states that “[t]he objective of the Fund shall be to mobilize additional resources to be made available on concessional terms for agricultural development in developing Member States.”

7. **Priorities.** Article 7, section 1(d) of the Agreement states that “[i]n allocating its resources the Fund shall be guided by the following priorities: (i) the need to increase food production and to improve the nutritional level of the poorest populations in the poorest food deficit countries; and (ii) the potential for increasing food production in other developing countries. Likewise, emphasis shall be placed on improving the nutritional level of the poorest populations in these countries and the conditions of their lives.”

III. Policies and criteria

8. The following are the policies and criteria for financing which shall guide the Executive Board and the President in fulfilling the objective of the Fund:

9. **Allocation of resources.** The resources of the Fund available for financing for developing Member States shall be allocated in accordance with a performance-based allocation system (PBAS) established by the Executive Board. The Executive Board shall report annually to the Governing Council on the implementation of the PBAS.

10. **Programme of work.** Projects and programmes submitted to the Executive Board for consideration and approval shall be based on a programme of work proposed by the President and approved each year by the Executive Board in accordance with article 7, section 2 of the Agreement. In developing the proposed programme of work, the President is guided by the strategic framework established from time to time by the Executive Board.

11. **Project and programme criteria.** Projects and programmes submitted for financing by the Fund shall be based as much as possible on results-based country strategic opportunity programmes or on other strategies that provide a framework for making strategic choices about the Fund’s operations in a Member State, identifying opportunities for Fund financing and facilitating management for results.

12. **Selection of projects and programmes.** The projects and programmes financed by the Fund are guided by the criteria set out in the policies and strategies on the following matters as adopted or to be adopted by the Executive Board:
   
   • Targeting
• Knowledge management
• Innovation
• Rural enterprise
• Rural finance
• Climate change
• Engagement with indigenous peoples
• Improving access to land and tenure security
• Sector-wide approaches for agriculture and rural development
• Crisis prevention and recovery
• Private-sector development and partnership strategy
• Gender
• Such other policies as may be adopted in accordance with the broad policies, criteria and regulations established by the Governing Council

13. Implementation of projects and programmes. The implementation of projects and programmes financed by the Fund must be consistent with the regulations on the procurement of goods and services to be financed from resources of the Fund adopted by the Executive Board, and in conformity with the policies on corruption, audit and supervision adopted from time to time by the Executive Board. Financing agreements with Member States shall be subject to the General Conditions for Agricultural Development Financing established by the Executive Board. Financing agreements with private sector organizations and enterprises shall be subject to the Private Sector Strategy adopted by the Executive Board. Projects and programmes are supervised by the Fund in accordance with the Policy on Supervision and Implementation Support established by the Executive Board.

14. Evaluation. Independent evaluations of projects and programmes financed by the Fund shall be conducted in accordance with the evaluation policy adopted by the Executive Board.

IV. Financing terms

15. With due regard to the long-term viability of the Fund and the need for continuity in its operations, the Fund provides financing through loans, grants and a debt sustainability mechanism, equity or other means. The Fund’s financing of private sector organizations and enterprises shall be for the purpose of assisting the Fund in fulfilling its objectives under the Agreement and shall not, at any time, exceed the prudential limits at individual or portfolio levels as determined by the Fund’s risk framework and policies.

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2 Agreement, article 7, section 2(a)
A. Loans

(a) Loans to the public sector

(i) The main objectives of the Fund – to reduce rural poverty, improve nutrition and increase food production – cannot be judged or realized in terms of pure economic indicators, such as food production or agricultural growth rates. Certainly Fund projects must meet reasonable standards of economic viability, but such standards do not suffice either to select future IFAD activities or to evaluate their results. Even attempts to extend the traditional cost-benefit criteria from economic to social objectives, by assigning weights to certain social objectives such as income distribution and employment, fall short of measuring the Fund’s broad development objectives – to satisfy the basic needs of people living in developing countries in a self-reliant and positive social environment. The Fund will attempt to develop, over a period of time and in the light of its own experience and that of other agencies, new indicators and analytical techniques that take account of its objectives.

(ii) The Fund shall provide loans to developing Member States on highly concessional, blend and ordinary terms for approved projects and programmes. A review of the lending terms of each country shall take place prior to the start of every replenishment period. If such review concludes that a country has become, by a process of transition, eligible for less concessional terms, such terms shall be applied gradually to new loans extended throughout the replenishment period. However, a review of the lending terms of each country shall also take place prior to the start of every year in any replenishment period. If such review concludes that a country has become, by a process of reversal, eligible for more concessional terms, such terms may be applied immediately to new loans extended during that year. The criteria for determining the terms to apply to a specific country shall be as specified in this paragraph, in accordance with the following sequence:

(1) Those developing Member States that, at the end of the year preceding the start of a replenishment period: (a) have a gross national income (GNI) per capita lower than, or equal to, the operational cut-off as determined annually by the International Development Association (IDA), shall normally be eligible to receive loans from IFAD on highly concessional terms; (b) are classified by IDA as a “small state economy” shall normally be eligible for highly concessional terms; (c) have a GNI per capita higher than the operational cut-off referred to in subparagraph (a) above and are still eligible for IDA financing shall normally be eligible for highly concessional lending terms, unless they are classified as “gap countries” or “blend countries” by IDA; (d) are classified as “gap countries” or “blend countries” by IDA shall be eligible for blend lending terms; (e) are not eligible for highly concessional or blend lending terms in accordance with subparagraphs (a), (b), (c) or (d) shall normally be eligible to receive loans on ordinary terms; and (f) are normally eligible for highly concessional terms but may be subject to less concessional terms should a remedy under the Non-Concessional Borrowing Policy, adopted by the Executive Board, be applied.
(2) In allocating resources among countries eligible for loans on the same terms, priority shall be given to those countries characterized by low food security and severe poverty in rural areas, and to fragile situations and “small state economies”.

(3) In determining the lending terms to apply to a country, the Executive Board shall also take into account an assessment by the President of IFAD of that country’s creditworthiness.

(4) The total amount of the loans provided each year on highly concessional terms shall amount to approximately two thirds of the total amount lent annually by IFAD.

(iii) The conditions for highly concessional, blend and ordinary lending terms shall be as follows:

(1) Loans on highly concessional terms shall be free of interest but bear a service charge on the principal amount outstanding of three fourths of one per cent (0.75 per cent) per annum for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis, and have a maturity period of forty (40) years (unless a shorter maturity is requested by the borrower), including a grace period of ten (10) years, starting from the date of approval by the Executive Board;

(2) Loans granted on blend terms shall be subject to a service charge on the principal amount outstanding of three fourths of one per cent (0.75 per cent) per annum for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis, shall bear interest on the principal amount outstanding at a fixed rate of 1.25 per cent for loans expressed in SDR and as determined by the Executive Board for other currencies on a financial equivalence basis and shall have a maturity period of twenty-five (25) years (unless a shorter maturity is requested by the borrower), including a grace period of five (5) years, starting from the date of approval by the Executive Board;

(3) Loans on ordinary terms shall bear interest on the principal amount outstanding at the IFAD reference interest rate, as determined by the Executive Board in accordance with subparagraph (iv), and have a final maturity limit (unless a shorter maturity is requested by the borrower), of up to thirty-five (35) years and a final average maturity limit of up to twenty (20) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled;

(4) No commitment charge shall be levied on any loan.

(5) For the purposes of implementing the Heavily-Indebted Poor Countries Debt Initiative, the Executive Board may amend the terms upon which an approved loan is provided to a country;
In determining the grace period, the maturity date and the amount
of each instalment for the repayment of loans, the Executive Board
shall take into account an assessment of a country’s debt sustainability
produced under the Heavily-Indebted Poor Countries Debt Initiative;

(6) The Executive Board may vary the grace period and the amount of
each instalment for the repayments of loans received on blend terms
and ordinary terms. In so doing, the Executive Board, on information
provided by the President of IFAD, shall take into account a country’s
creditworthiness. In submitting a proposal for the lending terms to
apply to a country for a loan to the Executive Board, the President
of IFAD shall ensure that: (i) the grace period for the loan, which
shall be established in relation to the date on which a loan becomes
effective and the date upon which disbursement of the loan is to cease,
shall not exceed six years; and (ii) the net present value in SDR or the
denomination currency of the financing agreement (as applicable) of
the blend terms and ordinary terms specified in (2) and (3) above is
maintained;

(7) For the purposes of resolving arrears that may arise from time to time
in the payment of interest or service charges and the repayment of the
proceeds of loans, the Executive Board may amend the terms upon
which an approved loan is provided to a country, including the grace
period, the maturity date and the amount of each instalment for the
repayment of loans, while securing the original net present value.

(iv) The Executive Board shall:

(1) Determine the service charge and related interest applicable to loans
on highly concessional terms and blend terms expressed in a unit of
 denomination other than SDR.

(2) Determine, on the basis of the variable ordinary interest rate of
international financial institutions concerned with development,
the method of calculation of the reference rate of interest (the IFAD
reference interest rate), which shall provide the basis for the review and
revision prescribed in sub-paragraph (3) below; and

(3) Every three months, review and revise the IFAD reference interest rate
for the following period on the basis of market rates.

(v) Notwithstanding anything to the contrary in Resolution 77/2 of the
Governing Council on the delegation of power to the Executive Board,
the Executive Board is hereby vested with the authority to carry out the
responsibilities specified in sub-paragraph (iv) above on the basis of the
principles laid down in this document.

(vi) The composition of the Fund’s lending operations on various terms of
concessionality stated above, shall be related to the economic and financial
capacity of the countries to which the Fund lends. The financial position
of the poorest countries makes it imperative that the largest portion of the
Fund’s resources should be on highly concessional terms and should be
concentrated on the poorest food-deficit countries.
(vii) Loans to countries which are not eligible for loans on highly concessional terms will be on blend or ordinary terms. In respect of these countries, justification for the degree of concessionality proposed will be provided in every project submitted to the Executive Board. The dominating criterion shall be the country’s economic and financial situation. However, the Board might, in appropriate cases, consider the nature of the project to be financed in determining the degree of concessionality.

(viii) The Fund’s grant assistance, apart from technical assistance, shall be used exclusively for the financing of projects in the absolute poorest food-deficit countries with the most severe development problems. Taking account of the very limited resources available for this type of assistance, the Executive Board will approve grant financing only for high-priority projects in countries with very severe budgetary constraints; these considerations will apply in particular to those cases where the revenue-generating effects of projects are considered unimportant but where the project still constitutes an essential element of the Fund’s programmes in the country.

(ix) Technical assistance, particularly for activities to strengthen the technical and institutional capacity essential for agricultural development, will normally be provided on a grant basis. However, when technical assistance for feasibility studies leads to a loan provided by the Fund, the Executive Board may include the cost of such technical assistance in the loan. In addition, the Fund may provide, in cooperation with other agencies, grants for suitable activities of international, regional and national research institutions.

(b) Loans to the private sector

The Fund shall provide loans to private sector entities in accordance with the Private Sector Strategy established by the Executive Board or pursuant to other approvals granted by the Executive Board.

B. Grants. Grants may be provided to: (i) developing Member States; (ii) intergovernmental organizations in which such Member States participate; and (iii) other entities which the Executive Board determines to be eligible pursuant to article 8 of the Agreement. Grants are provided in accordance with a policy for grant financing established by the Executive Board.

C. Debt sustainability mechanism. Financing under the debt sustainability mechanism is provided to eligible Member States in the form of grants or a combination of a grant and a loan on highly concessional terms, in accordance with arrangements for implementation of a debt sustainability framework at the Fund established by the Executive Board. Eligible Member States are also subject to the Non-Concessional Borrowing Policy and the associated remedies.

D. Equity or other means. The Fund shall provide financing through equity or other means in accordance with the Private Sector Strategy established by the Executive Board or pursuant to other approvals granted by the Executive Board.

16. Transition Framework. In accordance with the delegation of authority established in paragraph 15(iv) above and paragraph 18 below, the Executive Board shall adopt prior to the end of 2018, and review prior to the end of 2019, a transition framework that shall establish the principles and procedures for the processes of transition
and reversal referred to in paragraph 15(a)(ii) and their implementation in any replenishment period. In establishing the transition framework, the Executive Board shall be guided by the objectives of avoiding shocks and distortions for borrowers and for the Fund, and providing transparency through the furnishing to the Executive Board, on an annual basis, of information on developing Member States in relation to their income categories, relevant lending terms, and transition or reversal status under the transition framework.

V. Leveraging the Fund’s resources

17. The Fund shall attempt to multiply the impact of its own resources by undertaking projects jointly with other multilateral and bilateral agencies, and by mobilizing resources for investment in agricultural and rural development in the developing Member States for the public and private sector, while ensuring the realization of the Fund’s own objectives and preserving its own independent identity in the process.

VI. Implementation

18. Policies. The Executive Board shall establish from time to time other policies for financing that may be required or may be appropriate in order to fulfil the objective of the Fund.

19. Operational guidelines. The Fund shall formulate, in the light of experience, more detailed operational guidelines on various policies and criteria outlined above.

20. Implementation and review. The Executive Board shall interpret and implement these policies and criteria with the necessary flexibility provided for herein and will review them at a future date in the light of actual experience.

VII. Reporting

21. The Executive Board shall:

(a) report periodically to the Governing Council on the exercise of the authority vested in it above; and

(b) review periodically these Policies and Criteria for IFAD Financing in the light of changing circumstances and, if it so deems necessary, recommend to the Governing Council such modifications thereto as may be appropriate.