Policies and Criteria for IFAD Financing
➢ 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/XLII and Resolution 209/XLII).

➢ They were amended by the Governing Council at its Forty-Fourth Session on 18 February 2021 (Resolution 221/XLIV).

➢ They were amended by the Governing Council at its Forty-Fifth Session on 16 February 2022 (Resolution 225/XLV, 226/XLV and 227/XLV).

* In this document, the generic masculine is used for conciseness purposes only: it applies to both women and men.
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Article I
INTRODUCTION

1. Article 7, section 2 (d) of the Agreement Establishing IFAD (the Agreement) provides that “decisions 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.”¹ 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 to reflect IFAD’s engagement with the private sector and to update the financing terms. In 2020, the Policies and Criteria for IFAD Financing were amended to reflect changes required to give effect, as of 1 January 2022*, to the new Debt Sustainability Framework measures. In 2021, the Policies and Criteria for IFAD Financing were amended to reflect changes required to give immediate effect to the framework on accelerated repayment and voluntary prepayment, and codify the engagement precedent with subnational entities. In 2022, the Policies and Criteria for IFAD Financing (PCIF) were amended to reflect changes required to give effect to the second mechanism to access IFAD borrowed resources, the Borrowed Resource Access Mechanism (BRAM) and Updates to Financing Conditions, and to reflect efforts to streamline the PCIF and ensure it remains a high-level, principles-based document.

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
* These amendments will be reflected in a revised version of the present document as of 1 January 2022
Article 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.”
Article 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. **Access to IFAD’s resources.** The resources of the Fund available for financing for developing Member States shall be provided in accordance with a performance-based allocation system (PBAS) and the BRAM as established by the Executive Board. The Executive Board shall report annually to the Governing Council on access to IFAD’s resources.

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 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 the Fund’s 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.

### Article 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.

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 super highly or 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.

(iii) In conducting the review referred to in paragraph 15 A (a) (ii) above, the following considerations shall be made:

1. In the case of an allocation under the PBAS:
   a) In allocating resources among countries eligible for loans on the same terms, priority shall be given to those countries characterized by low food

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2. Agreement, article 7, section 2(a)
security and severe poverty in rural areas, and to fragile situations and “small state economies”.

b) The total amount of the financing provided each year through the PBAS mechanism on DSF grant, super highly concessional, highly concessional and blend terms shall amount, at least, to approximately two thirds of the total amount provided during every replenishment period by IFAD.

(2) Access to borrowed resources under the BRAM3 will be based on: (i) demand; and (ii) alignment with strategic focus, absorptive capacity, country ownership, level of indebtedness, and risk-based country limits. This access would comply with the core principles of mandate, alignment with government priorities and development effectiveness.

(3) In all circumstances:

a) The Executive Board shall determine the financing conditions and elements of pricing of the different financial instruments while ensuring a significant level of concessionality for the resources provided through the PBAS.

b) 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.

c) 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.

d) The Executive Board may vary the grace period and the amount of each instalment for the repayments of loans. In so doing, the Executive Board, on information provided by the President of IFAD, shall decide on the modalities of the repayment in accordance with the accelerated repayment and voluntary prepayment framework established by the Executive Board.

e) 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 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 provided on DSF grant, super highly concessional or highly concessional terms and should be concentrated in the poorest food-deficit countries.

(v) The Executive Board may include in the loan the cost of technical assistance for feasibility studies that lead to a loan provided by the Fund. In addition, the Fund may provide, in cooperation with other agencies, grants for suitable activities of international, regional and national research institutions.

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(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.

(c) Loans to sub-nationals and other entities

The Fund may provide loans to political subdivisions of Members States, to intergovernmental organizations in which Members States participate or to national development banks or to other entities as assessed from time to time by the Executive Board. In the case of a loan provided to an entity other than a Member State, the Fund shall normally require a suitable governmental or other guarantees, unless the Executive Board decides otherwise on the basis of a thorough assessment concerning related risks and safeguards. The Executive Board shall decide on the financing conditions related to each loan taking into account an assessment, by the President of IFAD, of the creditworthiness of each subnational lending operation based on a comprehensive due diligence and credit assessment. The Executive Board shall report annually to the Governing Council on the approval of this category of loans.

(d) The Executive Board shall determine:

(i) (1) The service charge and related interest applicable to loans on super highly, highly concessional and blend terms expressed in a unit of denomination other than SDR; and (2) the applicable fees related to loans, considering the recommendation of Management, including an analysis of the cost of preparing and administering IFAD’s loans;

(ii) The quarterly spread for ordinary loans to be applied over the applicable market-based rate (that together form the IFAD reference interest rate); and

(iii) 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 (i) above on the basis of the principles laid down in this document.

B. Grants.

(a) 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.

(b) The Fund’s grant assistance, apart from technical assistance, shall be used as per the Regular Grants Policy to finance; (i) improving the policy and investment environment; (ii) leveraging strategic and operational partners’ expertise and resources to deepen the impact of IFAD’s programme of work; and (iii) improving the availability and uptake of knowledge and innovation for enhanced impact and sustainability. The Executive Board will approve grant financing taking into account the sustainable allocation of resources to the programme.

(c) Technical assistance, particularly for activities to strengthen technical and institutional capacity essential for agricultural development, will normally be provided on a grant basis.

16. Debt sustainability mechanism. Financing under the debt sustainability mechanism is provided to eligible Member States 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, its consecutive updates to be decided by the Executive Board and associated remedies.

17. **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.

18. **Post-graduation.** The Fund will provide support to graduated Member States in keeping with the provisions of the Graduation Policy\(^8\) (as amended from time to time). IFAD support to graduated Member States excludes access to IFAD’s own financing (core and borrowed resources), however such graduated Member States (or institutions located in graduated Member States) may have access to other forms of support such as non-IFAD financing and other forms of cooperation subject to cost-recovery such as reimbursable technical assistance. Graduated Member States may also participate in regional programmes (without accessing IFAD’s own financing directly).

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**Article V**

**LEVERAGING THE FUND’S RESOURCES**

19. 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.

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**Article VI**

1. **IMPLEMENTATION**

20. **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.

21. **Operational guidelines.** The Fund shall formulate, in the light of experience, more detailed operational guidelines on various policies and criteria outlined above 20.

22. **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.

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**Article VII**

**REPORTING**

23. The Executive Board shall:

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\(^8\) **EB 2021/133/R.5**
(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.