Lending and Financing Terms

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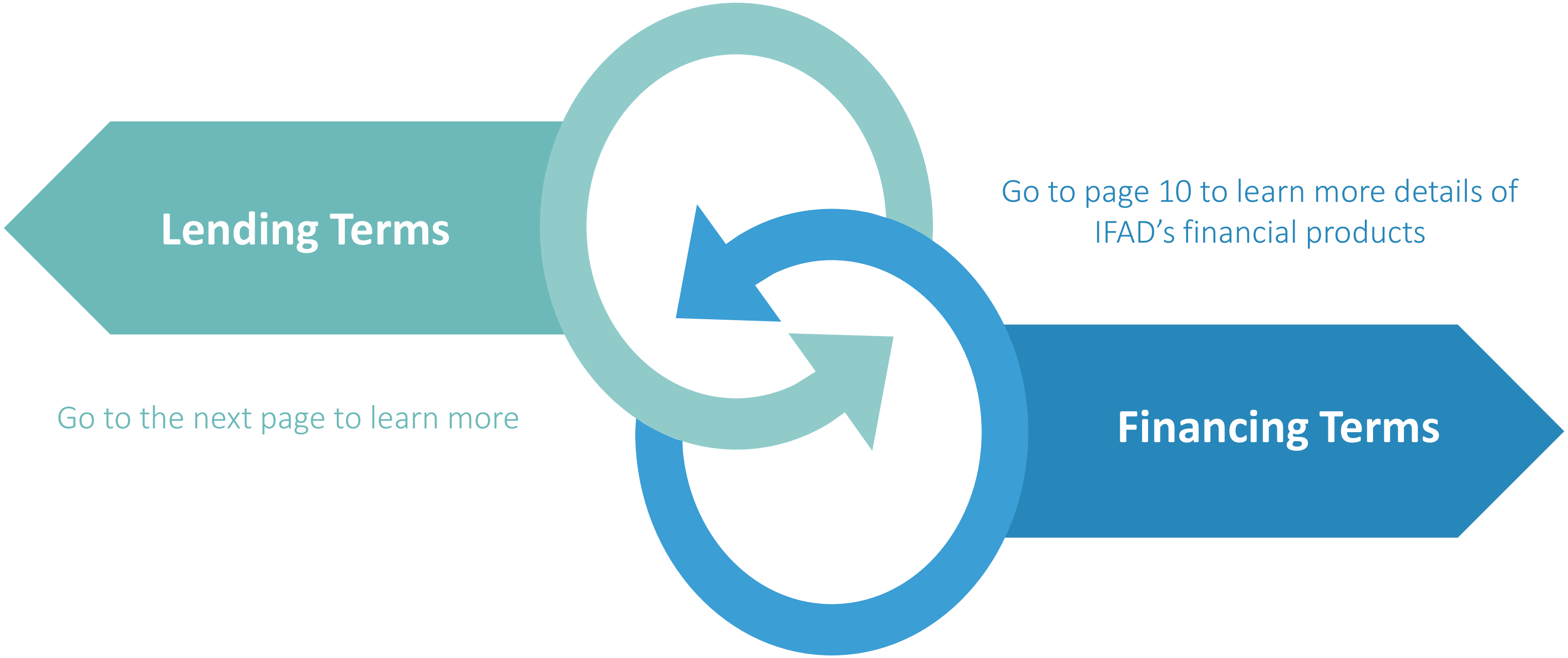
For queries, please contact lt_ft@ifad.org

I. Introduction



Go to page 10 to learn more details of IFAD's financial products

Go to the next page to learn more

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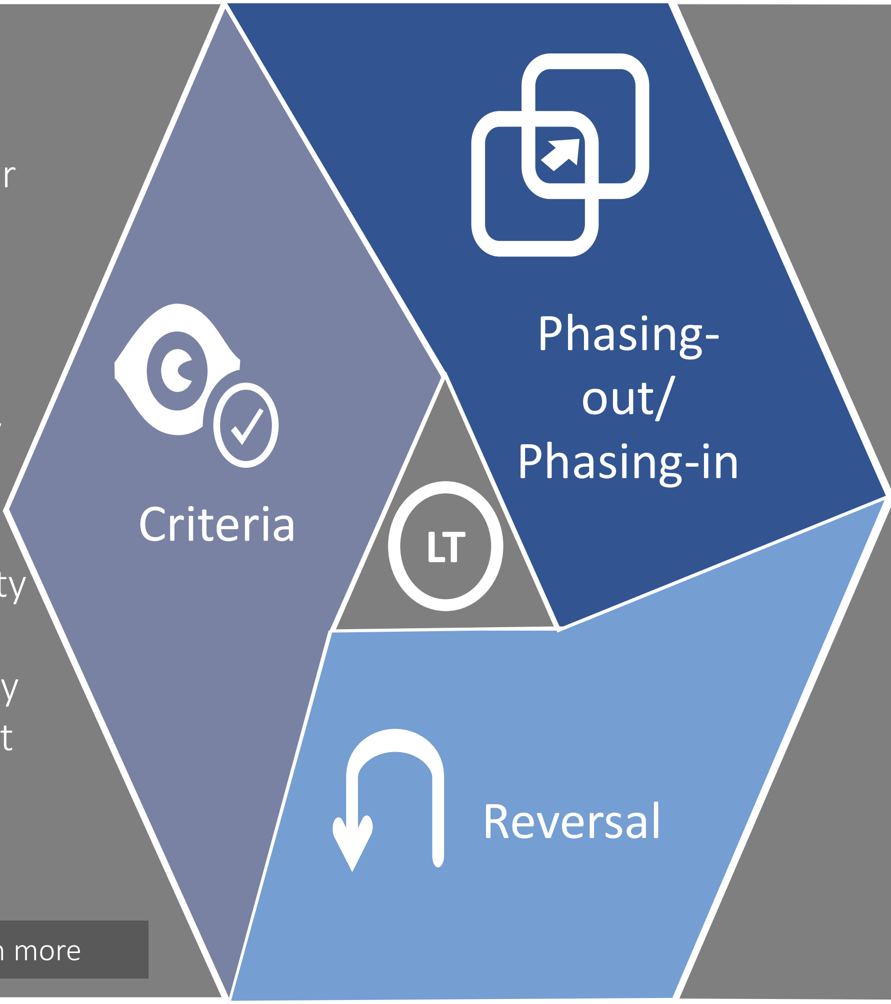
II. Lending Terms - Overview

- Gross National Income per capita (GNIpc) as per the World Bank Atlas Method
- Creditworthiness assessment for ordinary terms loan
- Under Debt Sustainability Framework, debt sustainability analyses by WB/IMF **determine** debt distress ratings and eligibility for grant financing

Go to the next page to learn more



- P-O/P-I mechanism underpins country's transition to harder LTs
- Softens impact of hardening LTs

Go to page 9 to learn more

- If economic status degrades, change of LT effective next calendar year

LTs = Lending Terms

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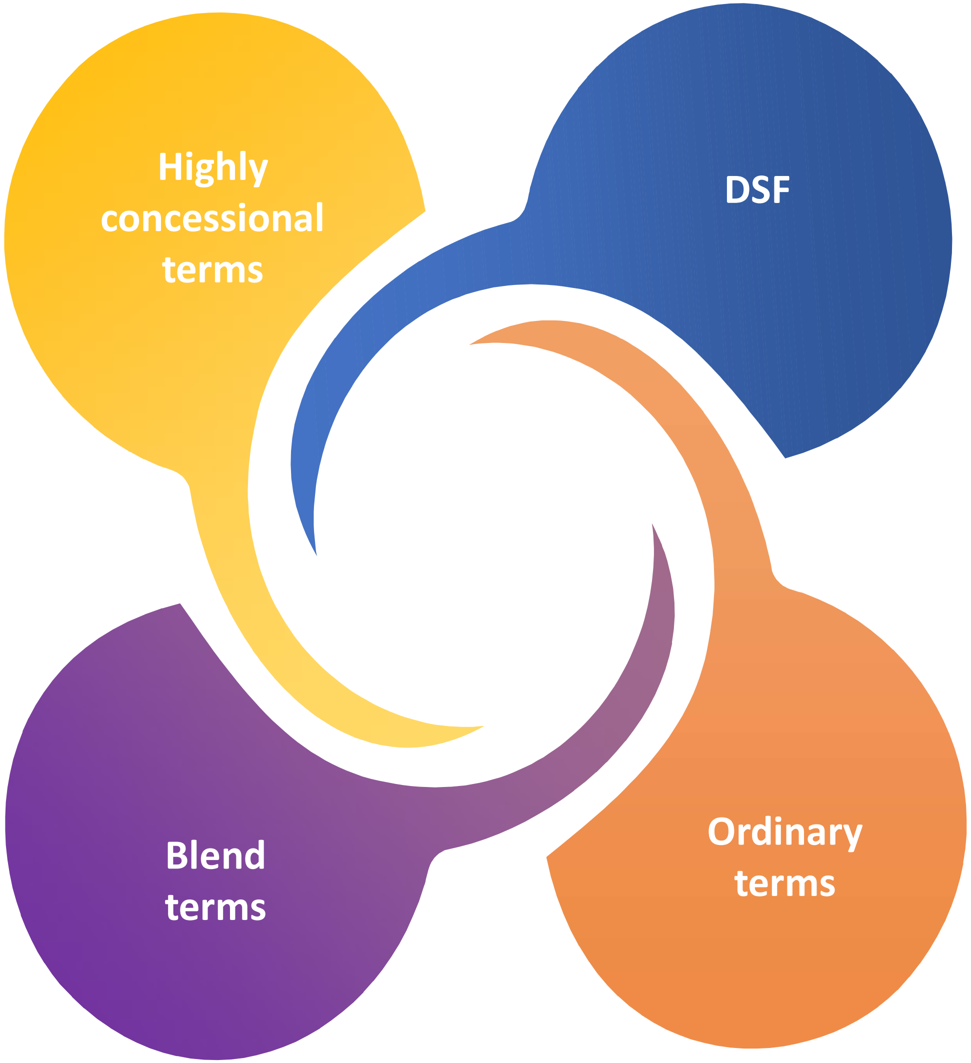
III. Lending Terms – Criteria

- IFAD's replenishment cycle is three years
- Determination of country LTs before each replenishment cycle
- Annual review of country LTs to reflect changes in borrower's economic status



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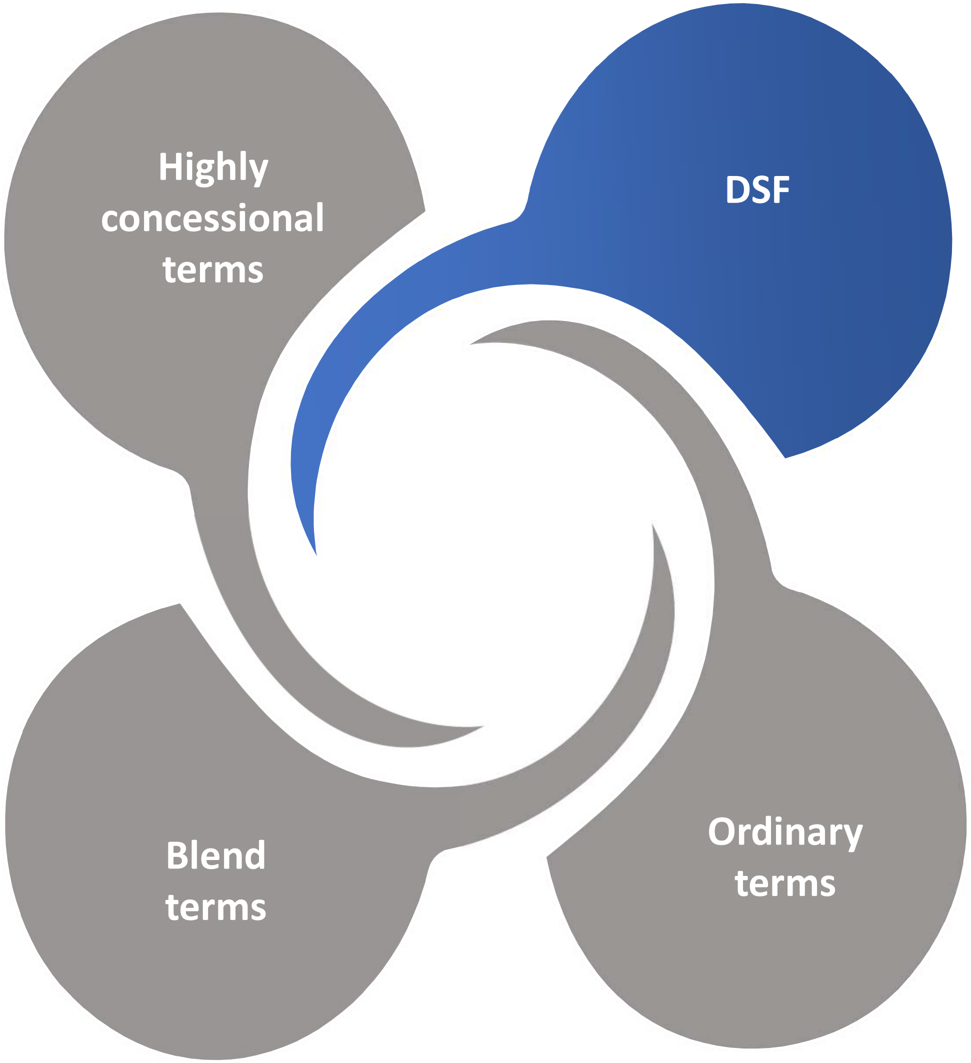
III.a. Lending Terms – Criteria, DSF

Criteria

- Country is eligible for highly concessional (HC) loans

- Determination of DSF eligibly is based on technical economic country analyses of debt distress risk by WB/IMF. For IFAD12:
    - In debt distress or at high risk of debt distress receive 100% as grant
    - Moderate risk of debt distress with limited or some space to absorb shocks receive 80% on SHC terms and 20% on HC terms with small states amortization profile
    - Moderate risk of debt distress with substantial space to absorb shocks receive 100% on HC terms with small states amortization profile



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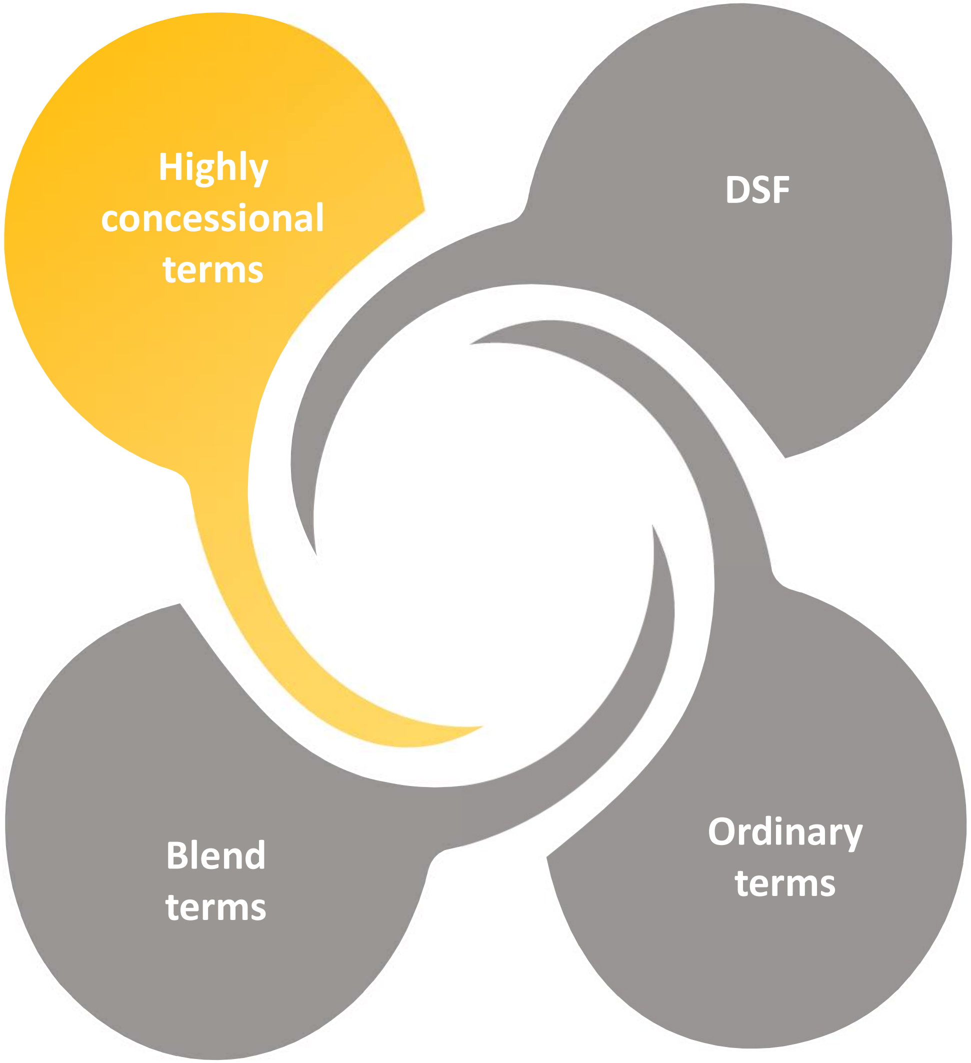
III.b. Lending Terms – Criteria, Highly concessional loans

Criteria

- GNIpc less than or equal to International Development Association (IDA) operational cut-off
- GNIpc higher than cut-off but not classified by IDA as “blend” or “gap” countries
- Small State Economy (population less than 1.5 million) exception



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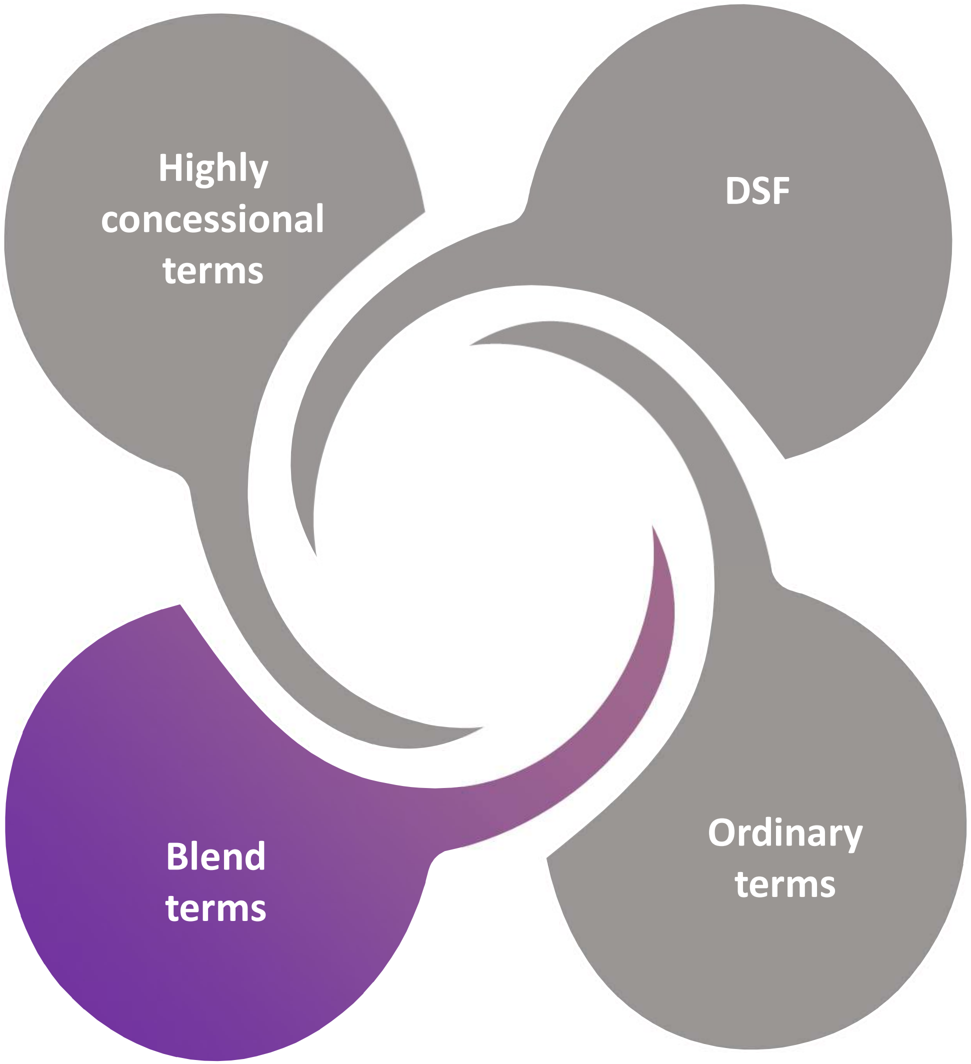
III.c. Lending Terms – Criteria, Blend loans

Criteria

- Countries over the International Development Assistance (IDA) operational cut-off
- Countries classified as a "blend" or "gap" country, not creditworthy for International Bank for Reconstruction and Development (IBRD) borrowing



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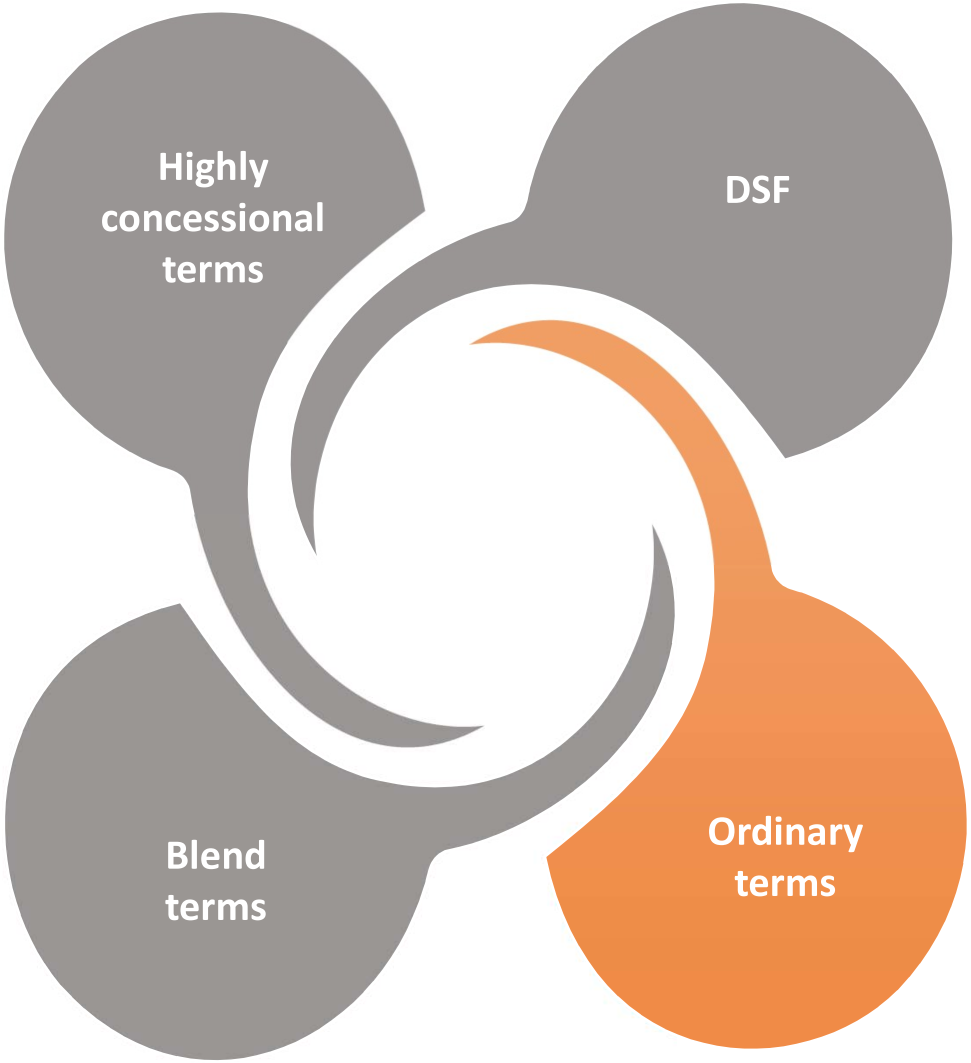
III.d. Lending Terms – Criteria, Ordinary loans

Criteria

- Countries not eligible for either highly concessional or blend financing (due to relatively high GNI per capita and access to international capital markets)
- Effective January 2022, borrowers eligible that are not in debt distress or at high risk of debt distress may access to ordinary terms loans for additional borrowed resources may also access.



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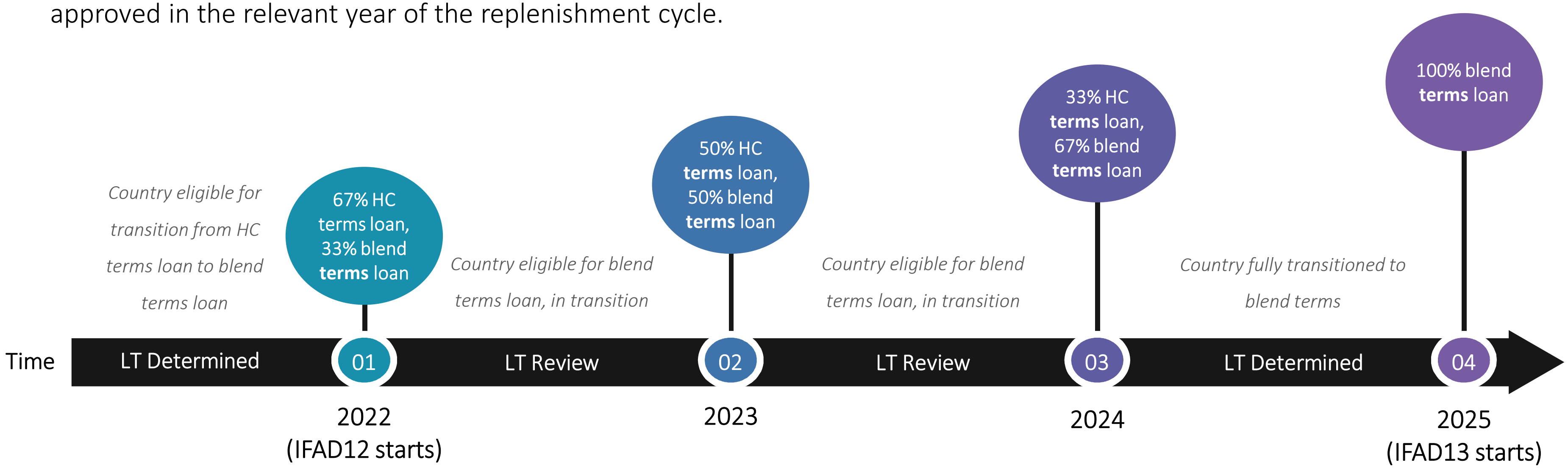
IV. Lending Terms – Phasing-out/Phasing-in Mechanism

Mechanism overview

- Financing terms for each country revised formally *once per replenishment cycle*
- Mechanism applicable for countries moving from *HC terms to Blend terms* and from *Blend terms to Ordinary terms*
- Countries becoming newly eligible for less concessional terms will be *under transition during the next replenishment cycle*
- Reversals from less to more concessional terms effective *next calendar year unless immediate application is called for due to case specificities.*

Example

- Country eligible for highly concessional (HC) loans in replenishment cycle IFAD11 (2019 to 2021), becomes eligible for blend terms loans in replenishment cycle IFAD12 (2022 to 2024). Timeline below shows terms of financing applicable for projects approved in the relevant year of the replenishment cycle.



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V. Financing Terms - Overview

Financing terms consist of the following components:

- Maturity period
- Grace period
- Service charge, if applicable
- Interest rate, if applicable
- Repayment terms

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V.a. Financing Terms
- Super Highly concessional terms (DSF)

Highly concessional

Maturity period

50 years

Grace period

10 years

Interest rate

No interest charge

Service charge

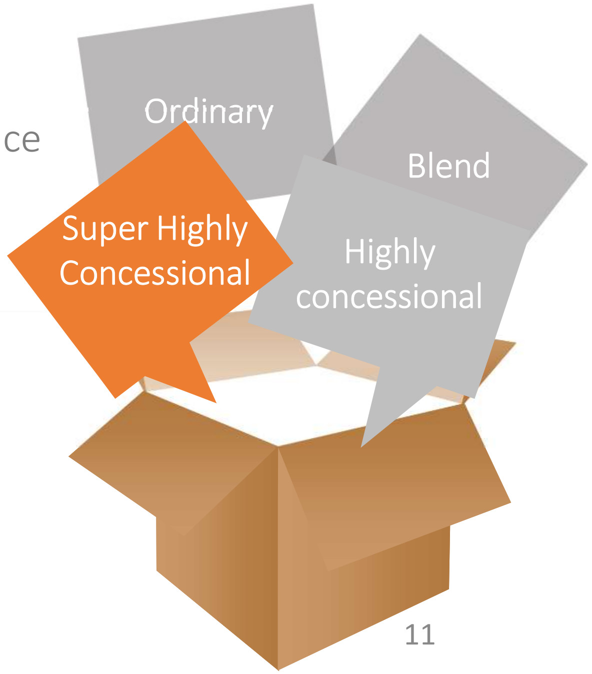
0.10% p.a. on SDR loans (outstanding balance only), with quarterly currency adjustments for non-USD loans

Amortization

2.5% years 11 to 50

Currency

Loans available in SDR, USD, and EUR



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V.a. Financing Terms - Highly concessional terms

Highly concessional

Maturity period

40 years

Grace period

10 years

Interest rate

No interest charge

Service charge

0.75% p.a. on SDR loans (outstanding balance only), with quarterly currency adjustments for non-SDR loans

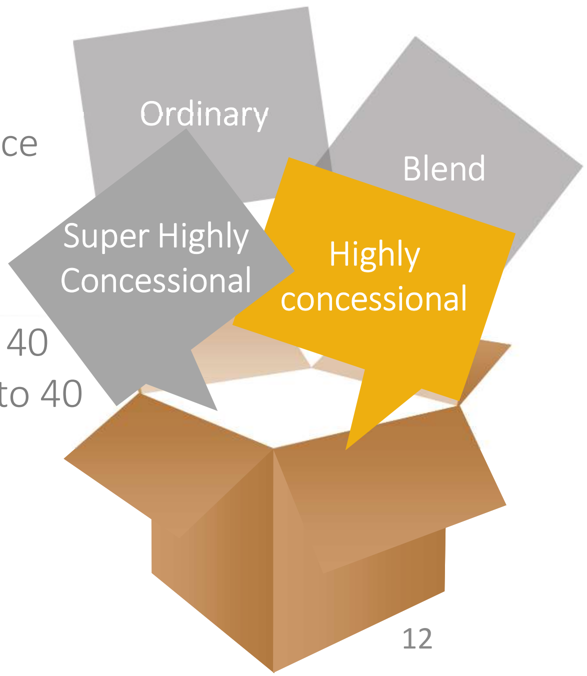
Amortization

Regular HC – 4.5% years 11 to 30, 1% years 31 to 40

Small economy – 2% years 11 to 20, 4% years 21 to 40

Currency

Loans available in SDR, USD, and EUR



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V.b. Financing Terms – Blend terms

Blend

Maturity period

25 years

Grace period

5 years

Interest rate

1.25% p.a. on SDR loans (outstanding balance only), with quarterly currency adjustments for non-SDR loans

Service charge

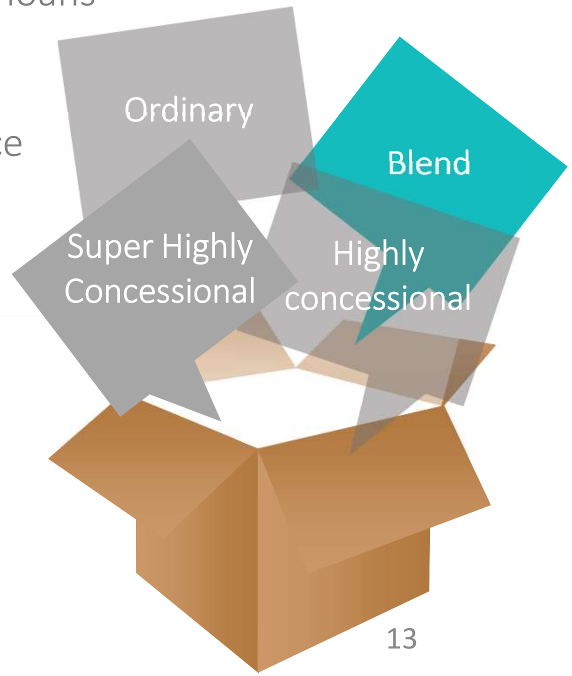
0.75% p.a. on SDR loans (outstanding balance only), with quarterly currency adjustments for non-SDR loans

Amortization

5% per annum from years 6 to 25

Currency

Loans available in SDR, USD, and EUR



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V.c. Financing Terms – Ordinary terms

Ordinary

Maturity period

Category 1: Maximum maturity of 35 years, maximum average repayment maturity of 20 years

Category 2: Maximum maturity of 30 years, maximum average repayment maturity of 18 years

Category 3: Maximum maturity of 20 years, maximum average repayment maturity of 15 years

Category 4: Maximum maturity of 18 years, maximum average repayment maturity of 12 years

Grace period

Category 1: up to 10 years

Category 2: up to 8 years

Category 3: up to 5 years

Category 4: up to 3 years

Interest rate

IFAD variable reference rate varies with currency; variable spread; maturity premium differentiated by country income and classification

Service charge

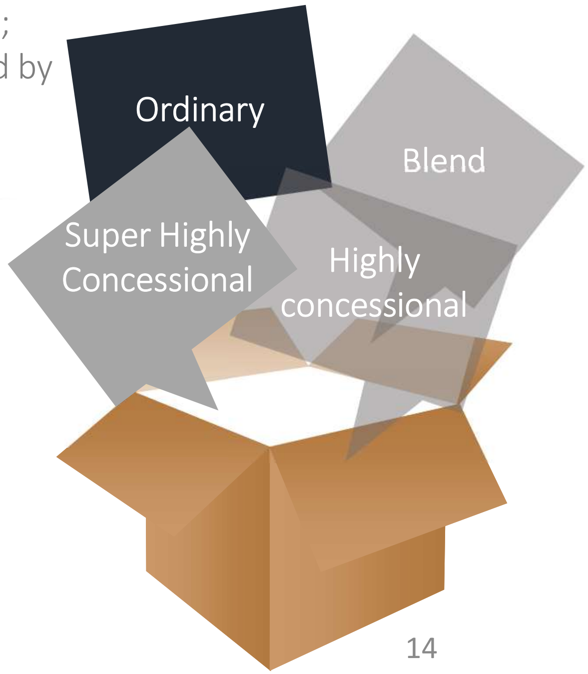
No service charge

Amortization

Fixed repayments of principal once grace period elapses

Currency

Loans available in USD and EUR



VI. Financing Terms – Ordinary Terms Loan Options

PEG TO IBRD

Since 2009, the IFAD reference rate has been pegged to IBRD pricing.

01 Categories

02 Average repayment maturity

03 Interest rate

04 Maturity premium differentiation

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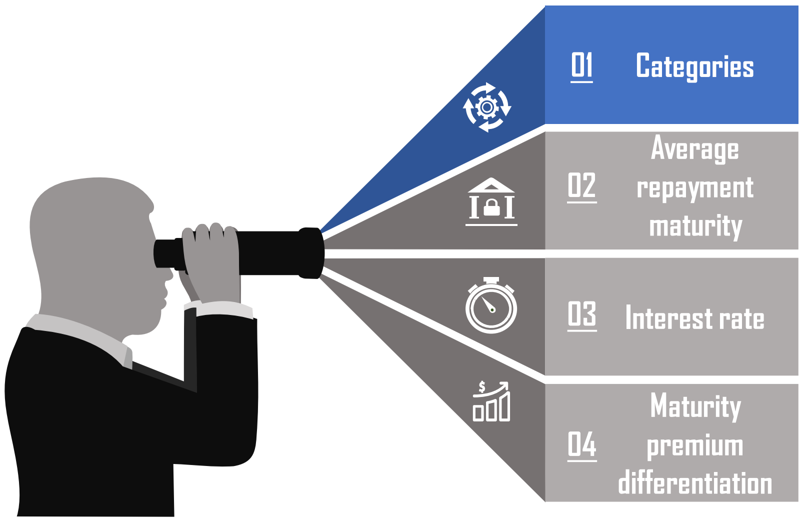
VI.a. Financing Terms – Categories

In April 2021, the Executive Board approved a new categorization of IFAD's borrowers, effective from January 2022

Category 1	**LICs** and **LMICs** eligible for IFAD concessional loans at low and moderate risk of debt distress
Category 2	**LMICs** non-eligible for category 1, borrowers **in transition**, creditworthy **fragile and conflict-affected states** and **small states economies**
Category 3	**UMICs** with a GNIpc below **GDI threshold**
Category 4	**UMICs** with GNIpc **above the GDI threshold**



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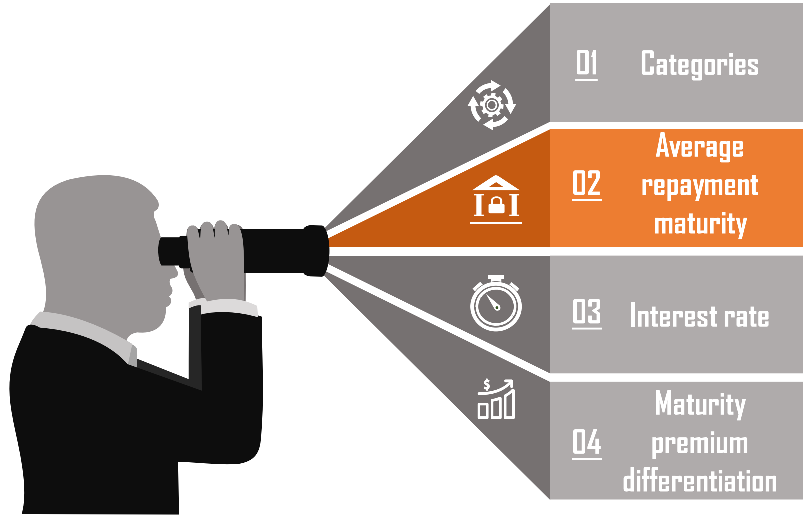
VI.b. Financing Terms
– Average repayment maturity

- Average repayment maturity (ARM) is the *average of repayment period weighted by the principal repayments*
    - Depends on choice of maturity and grace period subject to maximum of years per category
    - Assumes equal instalments of repayments
- Loan pricing varies according to ARM "bucket"
    - **Higher ARM = higher price**

IFAD Ordinary Loan	**Average Repayment Maturity Buckets**					
	Up to 8 years	More than 8 up to 10 years	More than 10 up to 12 years	More than 12 up to 15 years	More than 15 up to 18 years	More than 18 up to 20 years
Category 1	✔	✔	✔	✔	✔	✔
Category 2	✔	✔	✔	✔	✔	n/a
Category 3	✔	✔	✔	✔	n/a	n/a
Category 4	✔	✔	✔	n/a	n/a	n/a



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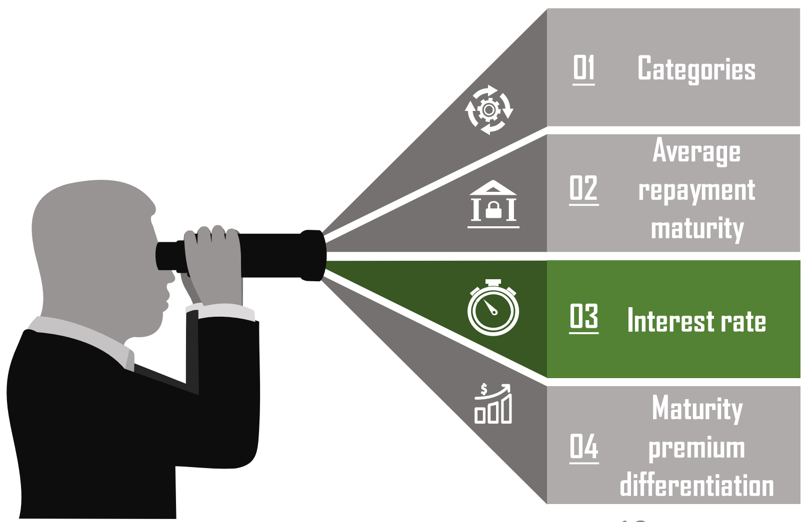
VI.c. Financing Terms – Interest rate

Interest rate =
IFAD Market reference rate +
IBRD funding cost +
IBRD contractual spread +
Maturity Premium (MP)

- Interest rate is reset on a quarterly basis, using daily compounded SOFR / six-months EURIBOR as the market reference rate
- IBRD funding cost is reset on a quarterly basis
- IBRD contractual spread and the MP are fixed for the life of the loan



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VI.d. Financing Terms – Maturity premium differentiation

Effective 2022, Category 1 will be subject to the standard maturity premium differentiation, which together with the other elements of the pricing structure, will ensure a minimum cost recovery of IFAD's cost of funding of the borrowed resources. Category 2, Category 3 and Category 4 will be subject to an increased maturity premium than the precedent category

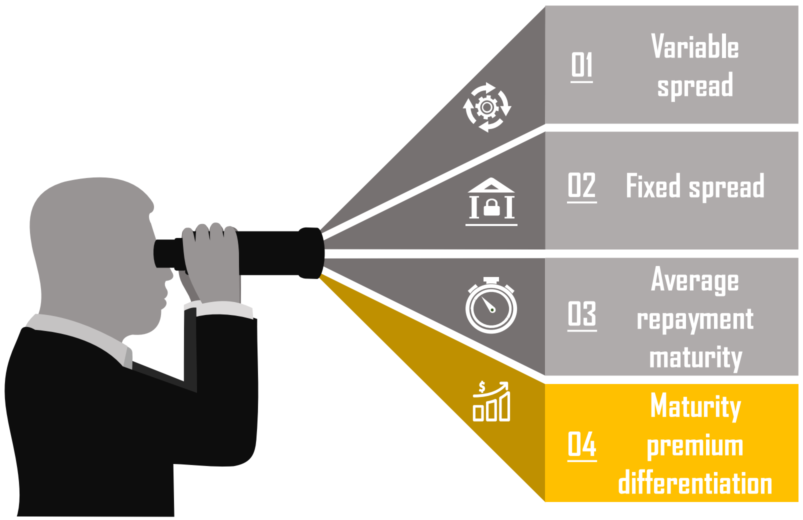
Maturity premiums for ordinary terms loans approved after 2022

IFAD Ordinary Loan (2022 onward)	Average Maturity					
	Up to 8 years	More than 8 up to 10 years	More than 10 up to 12 years	More than 12 up to 15 years	More than 15 up to 18 years	More than 18 up to 20 years
Category 1	0.00%	0.05%	0.15%	0.25%	0.35%	0.50%
Category 2	0.10%	0.20%	0.30%	0.40%	0.50%	
Category 3	0.15%	0.25%	0.40%	0.50%		
Category 4	0.25%	0.40%	0.60%			

Loans approved in IFAD11 (2019-2021) will maintain maturity premiums applicable at the time of the approval.

Maturity premiums for ordinary terms loans approved in IFAD11

IFAD Ordinary Loan (2019-2021)	Average Maturity					
	Up to 8 years	More than 8 up to 10 years	More than 10 up to 12 years	More than 12 up to 15 years	More than 15 up to 18 years	More than 18 up to 20 years
Category 1	0.00%	0.10%	0.20%	0.30%	0.40%	0.50%
Category 2	0.00%	0.10%	0.25%	0.40%	0.55%	0.70%
Category 3	0.00%	0.10%	0.30%	0.50%	0.70%	0.90%
Category 4	0.05%	0.15%	0.40%	0.65%	0.90%	1.15%



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VII. Further reading and Contacts

Further reading

Policies and Criteria for IFAD Financing

Guidelines for IFAD Lending Terms and Financing Conditions

DSF Reform for IFAD12

Borrowed Resource Access Mechanism: Framework for Eligibility and Access to Resources

Update to IFAD's Financing Conditions

IFAD's ordinary term loans: Update of elements of pricing

LIBOR replacement and impact on IFAD: FAQs

Contact

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