

HIGHLY CONCESSIONAL LOAN PRODUCT NOTE

Updated as of January 2024



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Financing conditions

Loans on highly concessional terms (HC) have a maturity period of 40 years, including a grace period of 10 years starting from the date of approval by IFAD's Executive Board. HC loans are interest-free, although they include an annual service charge on the principal amount outstanding. The service charge is subject to a floor of 0.75 per cent per annum for loans denominated in SDR, with adjustments made for loans in USD and EUR. Amortization of the principal of a HC loan depends on whether the Member State is a small state economy.

IFAD does not apply commitment fee, or upfront fee on any type of IFAD loan. IFAD also does not apply any additional fee upon loan cancellation, or on early repayment of loan principal.

Accelerated repayment clause

IFAD loans on HC terms that are approved after 1st January 2022 will be subject to the accelerated repayment clause (ARC), provided the following conditions are met:

- The borrower is considered creditworthy and has completed its transition to the new lending term category (i.e. ordinary terms) upon completion of the phasing out–phasing in mechanism.
- The borrower's GNIPC remains above the IFAD operational cut-off for the entire period of the phasing out–phasing in mechanism.
- The loan on HC terms has been fully disbursed and the entire grace period has elapsed.

When the ARC is triggered for eligible loans, the principal repayment will be doubled with no change to the service charge.

AT A GLANCE

Lending terms are determined in accordance with the Policies and Criteria for IFAD Financing and the Framework on Financing conditions, primarily based on a country's gross national income (GNI) per capita (as per World Bank calculation using Atlas methodology), the level of debt distress and a creditworthiness assessment.

At the beginning of a replenishment cycle, if a country has become eligible for less concessional terms, the new terms are applied gradually over the replenishment period using a phasing-out/phasing-in mechanism. If a country has become eligible for a reversal to more concessional terms, the reversal is effective the following calendar year.

KEY CHARACTERISTICS

MATURITY	40 years
GRACE PERIOD	10 years
INTEREST RATE	n/a
SERVICE CHARGE	0.75% for SDR loans
AMORTIZATION	
REGULAR	4.5% for 11-30 years; 1% for 31-40 years
SMALL STATES	2% for 11-20 years; 4% for 21-40 years
GRANT ELEMENT	
REGULAR	57%
SMALL STATES	63%
CURRENCY	EUR, SDR, USD
ARC	Applicable for loans approved after 1/1/2022

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FOR MORE INFORMATION

Publicly available documents

[Policies and Criteria for IFAD Financing](#)
[Framework on Financing conditions](#)
[Guidelines for IFAD lending terms and financing conditions](#)
[Accelerated repayment and voluntary prepayment framework](#)

