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Enabling poor rural people  
to overcome poverty

## **Progress report of the Working Group on IFAD's Blend Terms**

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**For: Approval**

## Recommendation for approval

The Executive Board is invited to take note of this progress report and endorse the recommendation contained in paragraph 7.

## Progress report of the Working Group on IFAD's Blend Terms

### I. Introduction

1. At its 104<sup>th</sup> session in December 2011, the Executive Board agreed to the establishment of a Working Group on IFAD's Blend Terms. Taking into consideration the concerns of the membership of the Fund, particularly of the borrowing Members, and recognizing the need to increase internally generated resources during the Ninth Replenishment period (IFAD9), the Executive Board agreed to carry out a comprehensive review of IFAD's lending policies and criteria over the course of 2012, during which IFAD will review and align its lending terms as much as possible with those of the International Development Association/International Bank for Reconstruction and Development, while taking into account the specificity of IFAD as outlined in the Agreement Establishing IFAD.
2. The Executive Board further decided that the working group's membership would be composed of two members from List A, one member from List B and one member from each of the sub-Lists of List C, with the members from each list to be nominated by the Convenors. The Convenors proposed that the following members be appointed to the working group:
  - List A:** Canada and Netherlands
  - List B:** Kuwait
  - List C:** Sub-List C1: Egypt  
Sub-List C2: India  
Sub-List C3: Argentina

In accordance with rule 11.1 of the Rules of Procedure of the Executive Board, the President appointed these members as members of the working group.

### II. Progress made

3. The working group held its first meeting on 21 March 2012 with the agenda of electing the Chairperson and agreeing on the working group's terms of reference and a timeline for its workplan.
4. Pursuant to rule 11.1 of the Rules of Procedure of the Executive Board, working group elected the representative of the Netherlands as Chairperson. The working group also considered the issue of observers at its meetings and decided that other members of the Executive Board may attend as observers.
5. The working group considered draft terms of reference submitted by the President and, after considering several proposed changes, adopted the terms of reference attached as annex I. The working group also discussed a proposed timeline and adopted the version attached as annex II.
6. The working group agreed to informally seek feedback from members of the Audit Committee and it was agreed that the respective Chairpersons would further discuss this process.

### **III. Recommendation**

7. In accordance with rule 11.1 of the Rules of Procedure of the Executive Board, the Board is hereby invited to approve the appointment by the President of the members of the Working Group on IFAD's Blend Terms as set out in paragraph 2 above.

## **Terms of Reference of the Working Group on IFAD's Blend Terms**

**Introduction.** At the 104<sup>th</sup> Executive Board in the context of the discussions on agenda item 14(d) Introduction of IFAD Blend Lending Terms and item 19, provisional agenda for the thirty-fifth session of the Governing Council, it was agreed to convene a working group on IFAD's Blend Terms with representatives from of all Lists and sub-Lists, and with the support of the Secretariat.

The Board requested the working group to review the blend lending terms currently applied by IFAD under the Lending Policies and Criteria and the revisions that have been proposed. The Working Group will focus on blend terms that are between highly concessional and ordinary terms. The working group was also requested to undertake a comparative analysis of the terms offered by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), bearing in mind the specificity of IFAD's mandate.

It is not anticipated that the review will result in changes to IFAD's current ordinary or highly concessional terms.

### **Terms of Reference**

The working group will:

1. Take note of existing financing conditions and specifically address proposed blend terms, including: interest rate, maturity, grace period and commencement trigger;
2. Conduct an analysis of the countries most likely to be affected by the introduction of new terms by compiling a list of countries that are close to the eligibility boundary between highly concessional and blend terms and provide a one-page analysis of the potential impact on each country; and
3. Prepare a report on the findings and conclusions of the above exercise.

## Timeline

21 March 2012	<b>First meeting</b> of the Working Group on IFAD's Blend Terms
3-4 April	Present the progress report to the Executive Board
April – June	Develop options and prepare an initial draft report
22 June	<b>Second meeting</b> of the Working Group on IFAD's Blend Terms
16 July	<b>Third meeting</b> of the Working Group on IFAD's Blend Terms
July	Refine paper
17 September	<b>Fourth meeting</b> of the Working Group on IFAD's Blend Terms
20-21 September	Present draft report to the Executive Board
September-October	Finalize report
5 October	<b>Final meeting</b> of the Working Group on IFAD's Blend Terms
12-13 December	Present final report to the Executive Board
February 2013	Present final report to the Governing Council