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Report of the Working Group on IFAD's Blend Terms

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For: **Approval**

Recommendation for approval

The Working Group on IFAD's Blend Terms has made the following recommendations for consideration by the Executive Board:

a) A new category of "Blend terms" would be introduced for eligible countries starting from the April 2013 Executive Board;

b) Loans granted on Blend Terms shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25% per annum, a service charge of 0.75% and shall have a maturity period of 25 years, including a grace period of five years, starting from the date of approval by the Executive Board[1];

c) Starting from the April 2013 Executive Board, the existing categories of intermediate and hardened terms would no longer be offered;

d) IFAD member countries which are eligible for IDA blend terms will be eligible for IFAD blend terms, provided that they are above the IFAD threshold for eligibility for highly concessional terms; and,

e) The Working Group recommends the Executive Board to consider making a recommendation to the Governing Council to amend IFAD's Lending Policies and Criteria accordingly at its thirty-sixth session in 2013.

Report of the Working Group on IFAD's Blend Terms

I. Introduction

1. The 104th Executive Board convened a working group to review the lending terms currently applied by IFAD under the Lending Policies and Criteria and the revisions that have been proposed. This paper summarises the discussions and findings of the working group on IFAD's Blend Terms. It reviews IFAD's existing lending terms in terms of their eligibility, applicability and coherence with the terms of other international financial institutions (IFIs) notably the World Bank and the International Development Association (IDA). The paper summarizes the introduction of blend terms by IDA and the eventual effect on IFAD Member States of a similar initiative by IFAD. It is noted that only the Governing Council is empowered to change IFAD's lending terms and that any such recommendation would need to be made by the Executive Board to the Governing Council.

II. Current IFAD lending terms and policy

2. The current lending terms and policy are based on the IFAD Lending Policies and Criteria (chapter IV) and are defined as follows:

(a) **Highly concessional**. Member States having a GNP per capita of US$805 or less in 1992 prices, or classified as IDA-only countries, shall normally be eligible to receive loans from IFAD on highly concessional terms, which are free of interest but bear a service charge of three fourths of 1 per cent (0.75 per cent) per annum[1] and have a maturity period of 40 years, including a grace period of 10 years;

(b) **Hardened**. In accordance with the decision of the Governing Council in February 2010, following the recommendation of the Executive Board in December 2009,[2] Member States that were eligible to receive hardened terms from IDA as of that date shall normally be eligible to receive loans on

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[1] The representatives of India and Argentina, respectively representing sub-List C2 and C3, would prefer an optional choice between floating and fixed rate to be given to the borrowing country

[1] IFAD does not charge commitment fees on any of its loans.

[2] EB 2009/98/R.13/Rev.2.

hardened terms, which are free of interest but bear a service charge of three fourths of 1 per cent (0.75 per cent) per annum, and have a maturity period of 20 years, including a grace period of 10 years.

(c) **Intermediate**. Member States having a GNP per capita of between US$806 and US$1,305 inclusive in 1992 prices shall normally be eligible to receive loans from IFAD on intermediate terms, which have a rate of interest per annum equivalent to 50 per cent of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of 20 years, including a grace period of five years;

(d) **Ordinary**. Member States having a GNP per capita of US$1,306 or above in 1992 prices shall normally be eligible to receive loans on ordinary terms, which have a rate of interest per annum equivalent to 100 per cent of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of 15 to 18 years, including a grace period of three years

3. The eligibility of Member States for each of the lending terms is on the basis of the GNP per capita, initially set at 1992 prices, which establish the point at which IFAD Member States progress – or "graduate" – through the lending terms. For 2012, all countries under the US$1,355 GNP per capita threshold are eligible for highly concessional loans. For intermediate terms, the threshold of US$2,198 is applicable. All countries over that level are eligible to receive loans on ordinary terms. The thresholds are updated annually using the Organisation for Economic Co-operation and Development (OECD) annual inflation factor. Once these inflation-adjusted thresholds are established, they are checked against the GNP per capita for each Member State as provided annually by the World Bank.[3] As of 1 January 2013 the country terms will be posted on the IFAD website.

4. It should be noted that the Lending Policies and Criteria allow the Executive Board to consider other factors in determining the lending terms applicable to a country, including the country's debt sustainability and its debt-servicing capacity (Lending Policies and Criteria, paragraph 32(e)). This provision was introduced to facilitate implementation of the Debt Sustainability Framework. For loans on intermediate and ordinary terms, the Executive Board may also consider the nature of the project to be financed in determining the degree of concessionality (Lending Policies and Criteria, paragraph 36), in the light of financial and economic conditions.

III. Alignment of IFAD terms with the World Bank

5. IFAD's terms of lending are generally harmonized with those prevailing in the IFI system as a whole, particularly among the global IFIs providing concessional lending for development.[4] The lending terms offered by IFAD are also in line with lending terms offered by the regional development banks – the Asian Development Bank (AsDB) and African Development Bank (AfDB).

(i) **IFAD's highly concessional terms**

IFAD's highly concessional terms have been developed and modified in close alignment with those of the International Development Association (IDA). E.g. when IDA reduced the repayment period from 50 to 40 years, IFAD, through the Ad Hoc Committee on Lending Terms and Conditions, recommended a similar change for IFAD. IFAD does not apply a commitment charge against undisbursed loan balances but this is not a mandatory charge and IDA's management has waived it in recent years. The only other difference is that IFAD applies the OECD inflation index to annually update the GNP per capita

[3] Through the World Bank Atlas methodology.
[4] The report of the Ad Hoc Committee on IFAD's Lending Terms and Conditions to the Executive Board in September 1993 (EB 93/49/R.57) indicated that, in reviewing the terms and conditions, they would be guided by principles that included, inter alia, 'bringing IFAD's lending terms and conditions in line with those of other international financial institutions' and, 'adjusting IFAD's lending terms in line with changing conditions in the international capital market'.

threshold while the World Bank uses its own inflation index. The IFAD highly concessional threshold for 2012 is $1,355 per capita while IDA's is $1,194. As the table in annex II indicates, all those countries that are eligible for IDA lending are also eligible for IFAD loans on highly concessional terms.

(ii) **IFAD's intermediate terms**

Other IFIs do not offer loan products that are directly comparable with IFAD's intermediate terms, which is based on 50 per cent of the six-monthly LIBOR. When IFAD first introduced intermediate terms, the reference rate used was the variable rate of the IBRD currency pool loans and establishing a 50 per cent term effectively introduced a "bridge" between IFAD highly concessional terms and ordinary terms. IBRD introduced LIBOR pricing in 1993 and withdrew currency pool loan products in 2001. Both variable and fixed spread loans continued until 2008, when a unified single product, the IBRD Flexible Loan, was introduced. Based on the IBRD rates of 1 January 2012, the interest rate for intermediate loans would be 0.69 per cent.

(iii) **Hardened terms**

IDA offered "hardened terms" loans to borrowers that were on the margin of graduating from IDA terms to IBRD lending products, based on GNP per capita eligibility. The interest rates applied to such loans are the same service charges that apply to IFAD's highly concessional loans, while the maturity limits are similar to those applied for IFAD ordinary term loans. The category of hardened lending terms was introduced by IDA starting with the thirteenth replenishment of IDA's resources (IDA13) and has been effective since July 2002. Hardened terms are offered to IDA countries with GNP per capita above the operational cut-off for IDA eligibility for more than two consecutive years, but which are not yet creditworthy to borrow from the IBRD. Effectively therefore, IDA offered "hardened terms" loans to borrowers that were on the margin of graduating from IDA terms to IBRD lending products as part of the internal graduation process within the World Bank/IDA. The interest rates applied to such loans are the same service charges that apply to IFAD highly concessional loans, while the maturity limits are similar to those applied for IFAD ordinary term loans.

In 2009, several IFAD member countries receiving hardened terms[5] lending from IDA requested access to a similar lending product from IFAD. These were countries that had become eligible for IFAD's ordinary terms and had noted that the IDA hardened terms, for which they were eligible, were more favourable. Following the discussion on the need to introduce hardened terms at the December 2009 session of the Executive Board, the Governing Council (in February 2010), in resolution 158/XXXIII decided that:

> "In the interim period prior to the adoption of the revised Lending Policies and Criteria by the Governing Council, the Executive Board shall have the authority to create a category of lending terms similar to the hardened terms offered by the International Development Association (IDA) and apply such terms to IFAD loans to countries to which IDA provides hardened terms."

The Executive Board subsequently approved the creation of hardened terms in September 2010[6] (EB 2010/100/R.10). IFAD hardened terms is a category between highly concessional and intermediate. These loans are free of

[5] In 2009, IDA's hardened terms had a 10-year grace period and 20-year maturity with standard service charges giving a grant element of 40 per cent. In 2009, IDA's blend terms were a 10-year grace period and 35-year maturity with standard service charges giving a grant element of 57 per cent.

[6] Currently, countries that were eligible for hardened terms under IDA criteria at the time of the Governing Council approval in February 2010 remain eligible for these terms from IFAD, even though IDA has stopped providing loans on these terms.

interest; bear a service charge of 0.75 per cent per annum, a maturity of 20 years and a grace period of 10.

(iv) **Ordinary terms**

The lending product offered by IFIs that is most comparable with the IFAD ordinary term loan is the variable spread within the IBRD Flexible Loan product, i.e. loans for which the applicable interest rate is not fixed at the outset but is reset at regular intervals throughout the life of the loan. This is in alignment with the IFAD Lending Policies and Criteria which state that the reference rate of interest for application in IFAD should be determined by the Executive Board on the basis of the variable ordinary interest rate of IFIs concerned with development (paragraph 33(a)). Since 2009, IFAD has determined its reference interest rate by applying a composite spread directly derived from the IBRD variable spread for the four special drawing rights (SDR) currencies to the six-month composite SDR London Interbank Offered Rate (LIBOR) rate. The spread is a weighted average of the variable spread applied by the IBRD for the four SDR currencies on 1 January and 1 July each year and as practised by other IFIs; it is reset twice a year. This approach preserves the basic principle of alignment with the IBRD rates and ensures transparency and predictability in IFAD's pricing practices. The spread includes a funding cost and a contractual spread.

The main characteristics of the IBRD variable spread loan as compared with the IFAD ordinary term loan for 2012 are listed below.

IBRD variable spread flexible loan	*IFAD ordinary terms*
Semi-annual reset of interest rate equal to six-month LIBOR plus a variable spread also reset twice a year	Semi-annual reset of interest rate based on six-month LIBOR
A one-time front-end fee charged at the beginning of the project (currently 0.25 per cent)	No front-end fee
Average maturity of 18 years (maximum 30) including a grace period	Maximum maturity 18 years including a grace period
Choice of currency (main currencies)	Available only in SDR

6. The funding cost margin reflects the IFIs' cost of borrowing, i.e. the primary source of funding for the products offered by the IFI "bank" entities. The contractual spread is determined by each institution considering many factors, including the costs, and is regularly updated and aligned with the prevailing funding needs of each institution. This pricing methodology cannot be readily applied to IFAD since the Fund cannot calculate a funding cost margin in the same way as the other institutions.[7]

7. Based on the IBRD rates of 1 January 2012, the IFAD composite SDR variable spread would be 0.28 per cent and the interest rate for ordinary term loans would be 1.39 per cent (SDR LIBOR at 1.11 per cent plus 0.28 per cent). The interest rate for intermediate loans would be 0.69 per cent, i.e. lower than the service charge of 0.75 per cent applied by IFAD to highly concessional loans. This is not inconsistent with the comparative concessionality of the different classes since highly concessional borrowers are guaranteed a very low fixed rate for a period of 40 years. Ordinary term borrowers would have to pay a significant premium (currently higher than 3 per cent per annum on average for SDR currencies) to have a guaranteed fixed-interest rate over the life of their loans. The current IBRD interest rate for new United States dollar loans is 0.65 per cent.

IV. Introduction of blend terms by IDA

8. During the IDA16 discussions, it was noted that IDA currently had relatively undifferentiated financing terms between IDA-only countries and IBRD/IDA blend

[7] IFAD is examining the options as to how a funding cost margin applicable to IFAD could be calculated.

countries, despite very different borrower circumstances in terms of income levels, economic prospects and levels of external debt. Secondly, it was noted that the adjustment of lending terms such as the existing blend and hardened terms could strengthen IDA's finances and long-term financial capacity.[8] It was therefore agreed that, starting in July 2011, IDA's two separate loan products – blend and hardened term loans – would be consolidated into a single instrument, the blend/hardened term product, or blend terms as it is now known. In doing so, it also provided a clearer step in the graduation process from IDA to IBRD financing. This consolidated blend product would have a final credit maturity of 25 years, a grace period of five years, an interest rate of 1.25 per cent per annum and a service charge of 0.75 per cent (see table 1 below).

Table 1
IDA16: The combining of IDA blend and IDA hardened terms into the new blend terms

Up to 30 June 2011		*After 1 July 2011*
Blend terms (Criteria: Credit Worthiness):		**Blend/hardened terms:**
10-year grace		5-year grace
35-year maturity		25-year maturity
Standard service/commitment charges		Standard service/commitment charges
Grant element: 57 per cent	→	1.25 per cent interest rate
		Grant element: 35 per cent (25-year maturity)
Hardened terms (Criteria: GNI/capita):		
10-year grace		
20-year maturity		
Standard service/commitment charges		
Grant element: 40 per cent		

V. Introduction by IFAD of blend terms: country-level impact

9. As noted during the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9), the financial sustainability of the Fund requires that IFAD no longer rely as heavily on the use of internal resources to expand the resources available for its lending and grants programme. Hence there is a need, as in IDA16 (and IDA17), to explore areas in which additional resources could be increased. The IDA blend term lending instrument provides for enhanced loan reflows, including the acceleration of reflows to make resources available for commitment sooner. For the large majority of countries already borrowing on highly concessional terms, this would mean that more resources are available, but which would have no financial cost implications.

10. For the (few) countries borrowing on intermediate terms (with variable interest rates), the fact that blend terms would have a fixed interest rates may offer advantages as the reference LIBOR rate rises. A new blend term instrument could therefore effectively replace the existing intermediate terms not only as a step in the graduation process[9] but also as a loan product that better reflects the current financial products of other IFIs.

Eligibilty criteria for blend terms

11. IDA uses two different eligibility criteria (originally with different terms, as indicated in table 1) to identify those countries eligible for the blend terms introduced on 1 July 2011. The first criteria is whether countries can be classified by the IBRD Credit Risk Department as creditworthy (i.e. when the country has demonstrated sustained ability to access the international financial markets, show evidence of economic growth and with low levels of debt distress). Prior to July 2011 these countries were eligible for the IDA blend term.

[8] It is anticipated that lending terms will continue to be reviewed during the IDA17 discussions.
[9] The 1993 Ad Hoc Committee on IFAD's Lending Terms and Conditions also noted that it was "desirable to examine the possibility of blend loans for countries with economies that are otherwise eligible for highly concessional loans."

12. The second criteria is applied to those countries whose gross national income (GNI) per capita has been above the operational cut-off for IDA eligibility for more than two consecutive years. Prior to July 2011 these countries were eligible for the IDA hardened term.

13. As of 1 July 2011 the two different lending terms, and their respective criteria, were combined into one loan product, the blend/hardened terms, as indicated in table 1 above.

Analysis of eligibility criteria

14. Using these criteria, a number of IFAD Member States (annex II) currently eligible for loans on highly concessional terms would become eligible for loans on the new blend terms. It is noted that three countries – Armenia, Sri Lanka and the Plurinational State of Bolivia – are not classified as highly concessional because they have already "graduated" out of IFAD's highly concessional terms into intermediate and ordinary terms as their GNP per capita is above the 2012 threshold. These countries are listed separately in table 2 below, and include those that IFAD regional divisions anticipate will be in their respective lending programmes in the 2013-2015 replenishment periods.

15. For each country in the table, an analysis has been carried out of the implications of moving to IFAD-style blend terms. This analysis has taken the potential loan size provisionally available under the 2013-2015 PBAS allocation. Based on this amount, the repayment of principal and service charges has been calculated based on current highly concessional terms. This figure is further compared with the anticipated repayment based on blend terms. In addition, as discussed in the working group, the table also includes a comparison with repayments based on IFAD's current intermediate terms.

16. The table indicates that (in nominal terms) the differences between the currently applicable terms and the proposed blend terms at country level are not high and the increase in loan reflows is estimated at US$20.4 million in nominal terms. Countries borrowing up to US$20.0 million would see increases in repayment of less than US$1.0 million in nominal terms.

17. The table also indicates that with current LIBOR rates at historic lows, the repayment on intermediate terms is more advantageous than both blend terms and highly concessional terms. This is an anomalous situation for several reasons. The low LIBOR rate would be expected to change and, as a consequence, the World Bank/IDA have not altered their terms, which currently show a similar trend.

18. Moreover, several of the countries listed would not actually qualify for the proposed blend terms, as once their highly concessional status with IFAD had been passed, they would become eligible for ordinary terms directly, as has recently occurred for Sri Lanka. Maintaining intermediary terms while also introducing blend terms is not therefore suggested as an option to pursue.

Table 2
Countries eligible for "blend" terms: comparison of loan repayments between blend and intermediate terms
(nominal US$ million)

	Loan Amount	*Current IFAD Terms*	*Repayment on current IFAD terms*	*Repayment on Blend Terms*	*Difference Blend vs Current Terms*	*Repayment on Intermediary Terms*	*Difference Intermediary vs Current Terms*
Angola	7.5	HC	8.6	9.0	0.4	8.3	(0.3)
Armenia	13.8	O	16.0	16.6	0.6	-	-
Bhutan	9.3	HC	10.7	11.2	0.5	10.3	(0.4)
Bolivia (Plurinational State of)	21.8	I	24.1	26.2	2.1	24.1	-
Congo	8.9	HC	10.2	10.7	0.5	9.9	(0.3)
Guyana	7.8	HC	9.0	9.4	0.4	8.6	(0.4)
Honduras	15.0	HC	17.3	18.0	0.7	16.6	(0.7)
India	99.4	HC	114.3	119.4	5.1	110.1	(4.2)
Mongolia	12.5	HC	14.4	15.0	0.6	13.8	(0.6)
Pakistan	67.2	HC	77.3	80.7	3.4	74.4	(2.9)
Papua New Guinea	16.5	HC	19.0	19.8	0.8	18.3	(0.7)
Republic of Moldova	19.7	HC	22.6	23.6	1.0	21.8	(0.8)
Sri Lanka	25.0	O	28.9	30.0	1.1	-	-
Timor-Leste	5.1	HC	5.9	6.1	0.2	5.6	(0.3)
Viet Nam	58.7	HC	67.5	70.5	3.0	65.0	(2.5)
Total	**388.2**		**445.8**	**466.2**	**20.4**	**386.8**	**(14.1)**
Total excl. India, Pakistan, Viet Nam	**162.9**		**186.7**	**195.6**	**8.9**	**137.3**	**(4.5)**

Note: Based on provisional lending levels and country lending programme in 2013-15)

Application of eligibility criteria to IFAD member countries

19. As table 1 indicates, the IBRD/IDA has used two criteria: creditworthiness and GNI/capita to determine the eligibility and adoption of the new IDA blend terms. Table 3 analyses the application of those two criteria to identify the IFAD member countries eligible for the new IDA blend terms and the issues that become evident. The first column, creditworthy, indicates those countries assessed as credit worthy by IBRD and able to borrow funds both from IBRD resources and from their existing PBAs IDA allocation. In addition, those countries, with the exceptions noted below, are all above the IDA eligibility threshold.

20. IDA also assesses whether a country is over the IDA "graduation" threshold and if this has been the case for two years. If so, then the new blend terms are also applied, see column 2. As these countries are unable to access IBRD resources they remain "IDA only", as defined by IFAD Lending Terms and Criteria, and those countries are eligible for IFAD highly concessional terms, as indicated in the third column.

21. However, IDA only requires one of the criteria to be met to become eligible for the new blend terms. Several countries, while able to access the additional IBRD resources as "blend" countries, nevertheless remain both below the IDA and the IFAD highly concessional threshold and therefore should remain eligible for IFAD highly concessional terms. These countries are listed in the fourth column. On this basis, the member countries listed in the fifth column would be eligible to receive loans on blend terms.

22. Some of the countries with the larger lending programmes in 2013-2015 (India, Pakistan and Viet Nam) would therefore not be included and this would limit the increases in repayment to US$8.9 million, until other countries are classified as blend eligible.

Table 3
The application of the IBRD/IDA criteria for blend countries since July 1st 2011

Country	*1 'Creditworthy' and eligible to borrow from IBRD (previously known as "Blend")*	*2 GNI/capita at IDA threshold (previously known as "hardened")*	*3 Application of 2012 IFAD Terms*	*4 Application of IFAD HC eligibility*	*5 Countries eligible for IFAD blend 2013*
Congo		X	HC ("IDA only")		X
Angola		X	HC ("IDA only")		X
Zimbabwe	X		HC	X	
Bhutan		X	HC ("IDA only")		X
India	X		HC	X	
Mongolia		X	HC ("IDA only")		X
Pakistan	X		HC	X	
Papua New Guinea	X		HC	X	
Sri Lanka	X		O		X
Timor-Leste		X	HC ("IDA only")		X
Viet Nam	X		HC	X	
Bolivia (Plurinational State of)	X		I		X
Dominica	X		HC ("IDA only")		X
Grenada	X		HC ("IDA only")		X
Guyana		X	HC ("IDA only")		X
Honduras		X	HC ("IDA only")		X
Saint Lucia	X		HC ("IDA only")		X
Saint Vincent and the Grenadines	X		HC ("IDA only")		X
Armenia	X		O		X
Bosnia and Herzegovina	X		O		X
Georgia	X		O		X
Republic of Moldova		X	HC ("IDA only")		X

VI. Implementation of blend terms: Conclusions and recommendations of the Working Group

23. The working group has reviewed the proposed blend terms, their terms, eligibility criteria and introduction by IDA in July 2011. The working group has also reviewed the overall alignment of all IFAD lending terms with IBRD and IDA and compared IFAD terms on a country basis. Finally, it has reviewed the implications both on level of loan repayments at country level and loan reflows at IFAD corporate level. In principle, the working group has agreed that the introduction of blend terms would be in line with the alignment that IFAD has, in general, established with IBRD and IDA terms and provide the basis, in the medium to long term, of an increase in loan reflows from member countries who are in an improved financial and economic position.

24. The working group has also analysed the terms applied to the existing intermediate terms and agreed that the introduction of blend terms fulfils the purpose originally ascribed to intermediate terms, that of being a step in the progression from highly concessional terms to ordinary terms, a function that IDA's blend terms

accomplishes. The working group has also noted that the hardened terms that are also currently available for eligible countries has been withdrawn by IDA and merged into the new blend terms. Nevertheless, the working group has also recognized that the eligibility criteria used by IDA to determine the countries to which blend terms will be applied does not reflect the specificity of IFAD's mandate and, in particular, should not be applied to the countries defined by the IBRD as "creditworthy" but who have not yet reached the threshold established by IFAD to no longer be eligible for highly concessional terms.

25. The working group has therefore made the following recommendations for consideration by the Executive Board:

(a) A new category of "Blend terms" would be introduced for eligible countries starting from the April 2013 Executive Board;

(b) Loans granted on Blend Terms shall be subject to interest on the principal amount outstanding at a fixed rate of 1.25% per annum, a service charge of 0.75% and shall have a maturity period of 25 years, including a grace period of five years, starting from the date of approval by the Executive Board[11];

(c) Starting from the April 2013 Executive Board, the existing categories of intermediate and hardened terms would no longer be offered;

(d) IFAD member states which are eligible for IDA blend terms will be eligible for IFAD blend terms, provided that they are above the IFAD threshold for eligibility for highly concessional terms; and,

(e) The Working Group recommends the Executive Board to consider making a recommendation to the Governing Council to amend IFAD's Lending Policies and Criteria accordingly at its thirty-sixth session in 2013.

26. If the Governing Council approves the revised Lending Policies and Criteria at its next session in February 2013, the Executive Board could consider the creation of blend terms at its next session thereafter – in April/May 2013.

[11] The representatives of India and Argentina, respectively representing sub-List C2 and C3, would prefer an optional choice between floating and fixed rate to be given to the borrowing country

Annex I

Terms of reference of the Working Group on IFAD's Blend Terms

Introduction

At the 104th 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 country's 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.

Annex II

Countries Lending Terms 2012 - World Bank/IDA-IFAD

				IBRD Repayment Terms		*IDA and IFAD Highly Concessional Repayment Terms*		
Western & Central Africa Division	*GNI per Capita (US$)*	*IDA/World Bank Lending Terms 2012 Eligibility*	*IFAD Lending Terms 2012[1/]*	*Average repayment maturity (years)*	*Years to maturity (years)*	*Grace Period (years)*	*Years to maturity*	*Grant (%) (DSF)*
Benin	750	IDA	HC (DSF)	-	-	10	40	50%
Burkina Faso	550	IDA	HC (DSF)	-	-	10	40	100%
Cameroon	1,160	IDA	HC	-	-	10	40	0%
Cape Verde	3,160	Blend	HC	18	30	10	40	0%
Central African Repulbic	460	IDA	HC (DSF)	-	-	10	40	50%
Chad	600	IDA	HC (DSF)	-	-	10	40	50%
Democratic Republic of the Congo	180	IDA	HC (DSF)	-	-	10	40	100%
Congo	2,310	IDA (Blend)	HC	-	-	5	25	0%
Côte d'Ivoire	1,070	IDA	HC (DSF)	-	-	10	40	100%
Equatorial Guinea	14,680	IBRD	O	18	30	-	-	-
Gabon	7,760	IBRD	O	18	30	-	-	-
Gambia (The)	440	IDA	HC (DSF)	-	-	10	40	100%
Ghana	1,240	IDA	HC (DSF)	-	-	10	40	50%
Guinea	380	IDA	HC (DSF)	-	-	10	40	100%
Guinea-Bissau	540	IDA	HC (DSF)	-	-	10	40	50%
Liberia	190	IDA	HC	-	-	10	40	0%
Mali	600	IDA	HC (DSF)	-	-	10	40	50%
Mauritania	1,060	IDA	HC (DSF)	-	-	10	40	50%
Niger	360	IDA	HC	-	-	10	40	0%
Nigeria	1,180	IDA	HC	-	-	10	40	0%
Sao Tome and Principe	1,200	IDA	HC (DSF)	-	-	10	40	100%
Senegal	1,050	IDA	HC	-	-	10	40	0%
Sierra Leone	340	IDA	HC (DSF)	-	-	10	40	50%
Togo	440	IDA	HC (DSF)	-	-	10	40	50%

[1/] IFAD lending terms: 1. HC: Highly Concessional; 2. HC (DSF) : Highly Concessional with financing terms determined by DSF eligibility; 3. I : Intermediate; 4. O : Ordinary

Countries Lending Terms 2012 - World Bank/IDA-IFAD

				IBRD Repayment Terms		*IDA and IFAD Highly Concessional Repayment Terms*		
East & Southern Africa Division	*GNI per Capita US$)*	*IDA/World Bank Lending Terms 2012 Eligibility*	*IFAD Lending Terms 2012*[1/]	*Average repayment maturity (years)*	*Years to maturity (years)*	*Grace Period (years)*	*Years to maturity*	*Grant (%) (DSF)*
Angola	3 960	IDA (Blend)	HC	-	-	5	25	0%
Botswana	6 890	IBRD	O	18	30	-	-	-
Burundi	160	IDA	HC (DSF)	-	-	10	40	100%
Comoros	820	IDA	HC (DSF)	-	-	10	40	100%
Eritrea	340	IDA	HC (DSF)	-	-	10	40	100%
Ethiopia	380	IDA	HC	-	-	10	40	0%
Kenya	800	IDA	HC	-	-	10	40	0%
Lesotho	1 080	IDA	HC (DSF)	-	-	10	40	50%
Madagascar	440	IDA	HC	-	-	10	40	0%
Malawi	330	IDA	HC (DSF)	-	-	10	40	50%
Mauritius	7 740	IBRD	O	18	30	-	-	-
Mozambique	440	IDA	HC	-	-	10	40	0%
Namibia	4 650	IBRD	O	18	30	-	-	-
Rwanda	540	IDA	HC (DSF)	-	-	10	40	50%
Seychelles	9 490	IBRD	O	18	30	-	-	-
South Africa	6 100	IBRD	O	18	30	-	-	-
Swaziland	2 680	IBRD	O	18	30	-	-	-
Uganda	490	IDA	HC	-	-	10	40	0%
United Republic of Tanzania	530	IDA	HC	-	-	10	40	0%
Zambia	1 070	IDA	HC	-	-	10	40	0%
Zimbabwe	460	Blend	HC	18	30	5	25	-

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Countries Lending Terms 2012 - World Bank/IDA-IFAD								
				IBRD Repayment Terms		*IDA and IFAD Highly Concessional Repayment Terms*		
Asia & the Pacific Division	*GNI per Capita (US$)*	*IDA/World Bank Lending Terms 2012 Eligibility*	*IFAD Lending Terms 2012[1/]*	*Average repayment maturity (years)*	*Years to maturity (years)*	*Grace Period (years)*	*Years to maturity*	*Grant (%) (DSF)*
Afghanistan	NA	IDA	HC (DSF)	-	-	10	40	100%
Bangladesh	640	IDA	HC	-	-	10	40	0%
Bhutan	1 920	IDA (Blend)	HC	-	-	5	25	0%
Cambodia	760	IDA	HC (DSF)	-	-	10	40	50%
China	4 260	IBRD	O	18	30	-	-	-
Democratic People’s Republic of Korea			HC					
Fiji	3 610	IBRD	O	18	30	-	-	-
India	1 340	Blend	HC	18	30	5	25	0%
Indonesia	2 580	IBRD	O	18	30	-	-	-
Iran (Islamic Republic of)	NA	IBRD	O	18	30	-	-	-
Kazakhstan	7 440	IBRD	O	18	30	-	-	-
Kiribati	2 010	IDA	HC (DSF)	-	-	10	40	100%
Kyrgyz Republic	880	IDA	HC (DSF)	-	-	10	40	50%
Lao People’s Democratic Republic	1 010	IDA	HC (DSF)	-	-	10	40	100%
Malaysia	7 900	IBRD	O	18	30	-	-	-
Maldives	4 270	IDA	HC (DSF)	-	-	10	40	100%
Marshall Islands	2 990	IDA	HC (DSF)	18	30	10	40	100%
Mongolia	1 890	IDA (Blend)	HC	-	-	5	25	0%
Myammar	NA	IDA	HC	-	-	10	40	-
Nepal	490	IDA	HC (DSF)	-	-	10	40	50%
Pakistan	1 050	Blend	HC	18	30	5	25	0%
Papua New Guinea	1 300	Blend	HC	18	30	5	25	0%
Philippines	2 050	IBRD	I	18	30	-	-	-
Samoa	2 930	IDA	HC (DSF)	-	-	10	40	50%
Solomon Islands	1 030	IDA	HC (DSF)	-	-	10	40	50%
Sri Lanka	2 290	Blend	O	18	30	5	25	0%
Tajikistan	780	IDA	HC (DSF)	-	-	10	40	100%
Thailand	4 210	IBRD	O	18	30	-	-	-
Timor-Leste	2 220	IDA (Blend)	HC	-	-	5	25	0%
Tonga	3 380	IDA	HC (DSF)	-	-	10	40	100%
Viet Nam	1 100	Blend	HC	18	30	5	25	0%

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Countries Lending Terms 2012 - World Bank/IDA-IFAD

Latin America & Caribbean Division	*GNI per Capita (US$)*	*IDA/World Bank Lending Terms 2012 Eligibility*	*IFAD Lending Terms 2012*[1/]	*IBRD Repayment Terms*		*IDA and IFAD Highly Concessional Repayment Terms*		
				Average repayment maturity (years)	*Years to maturity (years)*	*Grace Period (years)*	*Years to maturity*	*Grant (%) (DSF)*
Antigua and Barbuda	10 610	IBRD	O	18	30	-	-	-
Argentina	8 450	IBRD	O	18	30	-	-	-
Belize	3 740	IBRD	O	18	30	-	-	-
Bolivia (Plurinational State of)	1 790	Blend	I	18	30	5	25	0%
Brazil	9 390	IBRD	O	18	30	-	-	-
Chile	9 940	IBRD	O	18	30	-	-	-
Colombia	5 510	IBRD	O	18	30	-	-	-
Costa Rica	6 580	IBRD	O	18	30	-	-	-
Dominica	4 960	Blend	HC	18	30	10	40	0%
Dominican Republic	4 860	IBRD	O	18	30	-	-	-
Ecuador	4 510	IBRD	O	18	30	-	-	-
El Salvador	3 360	IBRD	O	18	30	-	-	-
Grenada	5 560	Blend	HC	18	30	10	40	0%
Guatemala	2 740	IBRD	O	18	30	-	-	-
Guyana	3 270	IDA (Blend)	HC	-	-	5	25	0%
Haiti	650	IDA	HC (DSF)	-	-	10	40	100%
Honduras	1 880	IDA (Blend)	HC	-	-	5	25	0%
Jamaica	4 750	IBRD	O	18	30	-	-	-
Mexico	9 330	IBRD	O	18	30	-	-	-
Nicaragua	1 080	IDA	HC (DSF)	-	-	10	40	50%
Panama	6 990	IBRD	O	18	30	-	-	-
Paraguay	2 940	IBRD	O	18	30	-	-	-
Peru	4 710	IBRD	O	18	30	-	-	-
Saint Lucia	4 970	Blend	HC	18	30	10	40	0%
Saint Kitts and Nevis	9 980	IBRD	O	18	30	-	-	-
Saint Vincent and the Grenadines	4 850	Blend	HC	18	30	10	40	0%
Suriname	NA	IBRD	O	18	30	-	-	-
Trinidad and Tobago	15 380	IBRD	O	18	30	-	-	-
Uruguay	10 590	IBRD	O	18	30	-	-	-
Venezuela (Bolivarian Republic of)	11 590	IBRD	O	18	30	-	-	-

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Countries Lending Terms 2012 - World Bank/IDA-IFAD

Near East and North Africa Division	*GNI per Capita (US$)*	*IDA/World Bank Lending Terms 2012 Eligibility*	*IFAD Lending Terms 2012*[1/]	*IBRD Repayment Terms: Average repayment maturity (years)*	*IBRD Repayment Terms: Years to maturity (years)*	*IDA and IFAD Highly Concessional Repayment Terms: Grace Period (years)*	*IDA and IFAD Highly Concessional Repayment Terms: Years to maturity*	*IDA and IFAD Highly Concessional Repayment Terms: (%) Grant (DSF)*
Albania	4 000	IBRD	O	18	30	-	-	-
Algeria	4 460	IBRD	O	18	30	-	-	-
Armenia	3 090	Blend	O	18	30	5	25	0%
Azerbaijan	5 180	IBRD	O	18	30	-	-	-
Bosnia and Herzegovina	4 790	Blend	O	18	30	5	25	0%
Croatia	13 760	IBRD	O	18	30	-	-	-
Djibouti	NA	IDA	HC (DSF)	-	-	10	40	100%
Egypt	2 340	IBRD	O	18	30	-	-	-
Georgia	2 700	Blend	O	18	30	5	25	0%
Iraq	2 320	IBRD	O	18	30	-	-	-
Jordan	4 350	IBRD	O	18	30	-	-	-
Lebanon	9 020	IBRD	O	18	30	-	-	-
Libya	NA	IBRD	O	18	30	-	-	-
Morocco	2 850	IBRD	O	18	30	-	-	-
Republic of Moldova	1 810	IDA (Blend)	HC	-	-	5	25	0%
Romania	7 840	IBRD	O	18	30	-	-	-
Somalia	NA	IDA	HC	-	-	10	40	-
Sudan	1 270	IDA	HC (DSF)	-	-	10	40	-
Syrian Arab Republic	2 640	IBRD	O	18	30	-	-	-
The former Yugoslav Republic of Macedonia	4 520	IBRD	O	18	30	-	-	-
Tunisia	4 070	IBRD	O	18	30	-	-	-
Turkey	9 500	IBRD	O	18	30	-	-	-
Yemen	NA	IDA	HC (DSF)	-	-	10	40	100%

[1/] IFAD lending terms: 1. HC: Highly Concessional; 2. HC (DSF) : Highly Concessional with financing terms determined by DSF eligibility; 3. I : Intermediate; 4. O : Ordinary