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Investing in rural people

Report on the signing of the second individual loan agreement under the Framework Agreement with KfW Development Bank

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For: Information

Report on the signing of the second individual loan agreement under the Framework Agreement with KfW Development Bank

1. The KfW loan for EUR 400 million (the Loan) was negotiated under the Framework Agreement with KfW Development Bank, signed on 24 November 2014 by the President of IFAD. The Loan represents a source of funding for the Ninth Replenishment of IFAD's Resources. On the same date the first individual loan agreement (ILA) was signed by the President for an amount of EUR 100 million.
2. On 10 September 2015 the Vice-President signed the second ILA – KfW loan no. 27493 – in the amount of EUR 200 million.
3. At the time of the signing of the Framework Agreement, EUR 400 million was equivalent to approximately US\$499 million. It should be noted that as at 31 August 2015, EUR 400 million was equivalent to approximately US\$447 million.
4. IFAD is not bound to borrow the entire amount of the Loan if revised projections for IFAD's operational and financial commitment capacity show no need. IFAD can request funds under ILAs at a minimum EUR 50 million per tranche.
5. No incremental operational, implementation and administrative costs will be incurred by IFAD in relation to the Loan.
6. The main features of the second ILA are:
 - (i) Disbursement modality in four tranches of EUR 50 million each in: December 2015, June 2016, December 2016 and June 2017;
 - (ii) Currency of denomination: euros;
 - (iii) Maturity: 20 years;
 - (iv) Grace period: 5 years;
 - (v) Interest rate: variable rate – Euro Interbank Offered Rate (Euribor) 6 months + spread; and
 - (vi) If the interest rate applied before December 2017 exceeds the Organisation for Economic Co-operation and Development (OECD) threshold (currently 6.10 per cent) the interest will switch from variable to fixed.
7. IFAD will dispatch all documentation by 30 November 2015 in order to fulfil the Loan disbursement conditions associated with any ILA for the first tranche of EUR 50 million.
8. IFAD paid a cost compensation fee of EUR 800,000 (equivalent to 0.4 per cent of EUR 200 million) to KfW on 2 October 2015, in order to fulfil one of the conditions associated with any ILA.
9. Upon receipt of the documents, the Loan disbursement conditions associated with any ILA will be confirmed as fulfilled by KfW.
10. According to the disbursement modalities set out in the second ILA, the first tranche of EUR 50 million will be disbursed by KfW to IFAD by 28 December 2015.