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

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For: Information

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

1. The KfW loan for EUR 400 million 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 (IFAD9). On the same date the first individual loan agreement (ILA) was signed by the President for an amount of EUR 100 million.
2. The second ILA was signed on 10 September 2015 in the amount of EUR 200 million leaving a balance of EUR 100 million still available under the Framework Agreement.
3. At its 118<sup>th</sup> session, the Executive Board approved access to the EUR 100 million remaining available under the Framework Agreement with KfW to fund a part of the IFAD10 programme of loans and grants (PoLG). Subsequently, the third ILA was signed on 9 December 2016.
4. The funds will be borrowed on terms that are in line with the previous ILAs and will therefore be used to finance loans on ordinary terms.
5. Based on a minimum IFAD10 PoLG of US\$3.2 billion, and the most recent projections by the Programme Management Department, there is ample demand for ordinary loans to absorb the amount borrowed within IFAD's performance-based allocation system (PBAS). PBAS allocations will not be affected by the borrowing.
6. In line with the Sovereign Borrowing Framework document, the borrowed funds will be used "in accordance with the Policies and Criteria for IFAD Financing". This means that the borrowed funds will be on-lent at the current rate for IFAD ordinary loans.
7. No incremental operational, implementation or administrative costs will be incurred by IFAD in relation to the loan.
8. The main features of the third ILA are:
  - (i) Disbursement modality in two tranches of EUR 50 million each in: June 2017 and December 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 threshold (currently 6.10 per cent) the interest will switch from variable to fixed.
9. IFAD will pay a cost compensation fee of EUR 400,000 (equivalent to 0.4 per cent of EUR 100 million) to KfW by January 2017, in order to fulfil one of the conditions associated with any ILA.
10. According to the disbursement modalities set out in the third ILA, the first tranche of EUR 50 million will be disbursed by KfW to IFAD by 30 June 2017.