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Investing in rural people

Update of Financing Terms

Corrigendum

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Update of Financing Terms

Corrigendum

The attention of the Executive Board is drawn to the following corrigendum to the Update of Financing Terms (EB 2018/125/R.45).

For ease of reference, the changes to the document are shown in boldface, while strikethrough indicates deleted text.

Page 4, paragraph 12, footnote 9 has been added:

> The IBRD variable spread on which IFAD's pricing methodology is based comprises various elements, including a contractual spread, a maturity premium and a charge to cover IBRD's average funding cost. The maturity premium increases with the length of the maturity of the loan. In July 2018, IBRD introduced a standard set of maturity premium increases, returning to its historical practice of adjusting the maturity premium based on the borrower's income.[6] The maturity premium will increase between 10 and 40 basis points[7] for loans with an average maturity of longer than 10 years. There is an increase of 40 basis points for loans with an average maturity of 18-20 years – the bucket currently used by IFAD for its ordinary term pricing. Countries classified by IBRD as high income[8] will see an additional surcharge of 5 to 25 basis points depending on the average maturity, while countries with a GNIpc lower than or equal to US$6,795[9] will receive a discount of 5 to 20 basis points. Countries on blend terms, small states economies, fragile situations (as per the World Bank harmonized list) and recent IDA graduates are exempt from the increase in the maturity premiums.

All subsequent footnotes have been renumbered.

Page 4, paragraph 13, should read:

> Effective 1 January 2019, IFAD will need to implement an increase in maturity premium ranging from 0 to 40 basis points[10] on top of the current charge of 50 basis points. This forms an inherent part of the IBRD spread and IFAD has been pegged to IBRD's highest average repayment maturity bucket since 2009. The expected allocation for IFAD11 borrowers does not include any country to which a surcharge would apply. However, a significant portion of the IFAD11 PBAS allocation (approximately US$~~623~~ 626 million or ~~73~~ 71 per cent of countries borrowing on ordinary terms) is to countries with a GNIpc less than or equal to US$6,795 and those considered exempt.

[6] Based on gross national income per capita (GNIpc) calculated using the Atlas method.
[7] One basis point: one hundredth of one percentage point (used chiefly in expressing differences of interest rates).
[8] For fiscal year 2019, countries with a GNIpc greater than US$12,055.
[9] For fiscal year 2019, this is the income threshold at which IBRD begins discussions with borrowers on graduating from IBRD lending.
[10] The increase of 0 to 40 basis points assumes that the maturity and grace period differentiation proposed in the previous section is implemented. If not, IFAD will apply a 40 basis point increase on its current loan offer.

Page 15, annex II, paragraph 14, footnotes 26 and 27 have been added:

During its spring meetings in 2018, the World Bank Group presented a new World capital package proposal.[25] One element in this package is the introduction of an increased maturity premium for loans signed from 1 July 2018, with a discount/surcharge to the maturity premium element of pricing based on GNIpc, as per the IBRD classification (the Atlas method). This includes a 10-40 basis point increase on the maturity premium for loans with an average maturity of more than 10 years. A discount has been proposed for countries with GNIpc lower than or equal to US$6,795[26] while a surcharge is proposed for countries with a GNIpc greater than US$12,055.[27]

Page 17, annex II, table 3 should read:

Comparison of variable spread determination with the introduction of differentiation, based on maturity bucket and maturity premium differentiation between income categories
(18-20 year maturity)

			Proposed changes			
Variable spread 1/7/2018 Maturity greater than 18 to 20 years/US$	*Current maturity 18-20 years*	*Proposed changes in maturity buckets without premium differentiation*	*Exemption* *Group A*	*GNI between US$1,165 and ~~US$6,895~~* ***US$6,795*** *Group B*	*GNI between ~~US$6,895~~* ***US$6,795*** *and ~~US$12,235~~* ***US$12,055*** *Group C*	*GNIpc above ~~US$12,235~~* ***US$12,055*** *Group D*
Annual maturity premium	0.90%	0.90%	0.50%	0.70%	0.90%	1.15%
Contractual spread	0.50%					
Actual funding cost	-0.03%					
Final spread	1.37%	1.37%	0.97%	1.17%	1.37%	1.63%
Number of countries			6	~~11~~ **10**	~~5~~ **6**	0
Volume of expected IFAD11			US$~~372~~ **323** million	US$~~300~~ **303** million	US$~~256~~ **259** million	0

Page 17, annex II, table 4 should read:

Table 4
Comparison of variable spread determination with the introduction of the differentiation, based on maturity bucket and maturity premium differentiation between income categories
(10-12 year maturity)

			Proposed changes			
Variable spread 1/7/2018 Maturity greater than 10 to 12 years/US$	*Current maturity 18-20 years*	*Proposed changes in maturity buckets without premium differentiation*	*Exemption* *Group A*	*GNI between US$1,165 and ~~US$6,895~~* ***US$6,795*** *Group B*	*GNI between ~~US$6,895~~* ***US$6,795*** *and ~~US$12,235~~* ***US$12,055*** *Group C*	*GNIpc above ~~US$12,235~~* ***US$12,055*** *Group D*
Annual maturity premium	0.90%	0.30%	0.20%	0.25%	0.30%	0.40%
Contractual spread	0.50%					
Actual funding cost	-0.03%					
Final spread	1.37%	0.77%	0.67%	0.72%	0.77%	0.87%
Number of countries			6	~~11~~**10**	~~5~~**6**	0
Volume of expected IFAD11			US$~~372~~ **323** million	US$~~300~~ **303** million	US$~~256~~ **259** million	0

[25] World Bank, "Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal", Development Committee (April 2018).
[26] For fiscal year 2019, this is the income threshold at which IBRD begins discussions with borrowers on graduating from IBRD lending.
[27] For fiscal year 2019, the threshold for which countries are classified as high-income countries by the World Bank.