

Document: EB 2020/129/INF.7
Date: 6 April 2020
Distribution: Public
Original: English

E



Investing in rural people

IFAD's Interest Rates and Service Charges Applicable for the First Quarter of 2020

Note to Executive Board representatives

Focal points:

Technical questions:

Advit Nath

Director and Controller
Accounting and Controller's Division
Tel.: +39 06 5459 2829
e-mail: a.nath@ifad.org

David Hartcher

Senior Finance Officer
Tel.: +39 06 5459 2133
e-mail: d.hartcher@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra

Chief
Institutional Governance and Member
Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board — 129th Session
Rome, 20-21 April 2020

For: Information

IFAD's Interest Rates and Service Charges Applicable for the First Quarter of 2020

1. This information paper presents IFAD's interest rates and service charges applicable for the first quarter of 2020.
2. All interest rate calculations have been performed to six decimal places and rounded to two decimal places.

IFAD's Interest Rates and Service Charges Applicable for the First Quarter of 2020

I. Background

1. In 1994 the Executive Board decided to align the interest rates for the Fund's ordinary term loans with the variable interest rates set by the International Bank for Reconstruction and Development (IBRD).
2. This decision was re-affirmed by the Executive Board in 2009 (EB 2009/98/R.14), in the most recent review of loan pricing in 2018 (EB 2018/125/R.45/Rev.1) and by the Governing Council in 2019 (GC 42/L.7).
3. For continued alignment with IBRD, the Board agreed that, beginning in 2019, IFAD would adopt a quarterly rate-setting timeline for its interest rates and service charges. Once approved by Management, these interest rates and service charges are published on the IFAD website, which ensures their timely and transparent communication to IFAD borrowers and other key stakeholders.
4. In addition, Management will keep the Executive Board informed of the rates and charges through an information paper at each session.

II. Summary

5. IFAD's interest rates for non-concessional lending have reduced slightly between the fourth quarter (Q4) of 2019 and the first quarter (Q1) of 2020 due to the lowering of the six-month LIBOR/EURIBOR rates. The six-month EURIBOR rate for the euro remains negative.
6. IFAD's interest rates and service charges for concessional lending on blend terms from Q4 2019 to Q1 2020 for loans denominated in United States dollars have decreased slightly; loans denominated in special drawing rights (SDR) have remained constant, and loans denominated in euro have increased slightly.
7. IFAD's service charges for concessional lending on highly concessional terms from Q4 2019 to Q1 2020 for loans denominated in US\$ have decreased slightly while loans denominated in SDR and in euro have remained constant.

A. Ordinary and intermediate term loans

8. IFAD interest rates for ordinary term loans are based on a floating reference rate i.e. the six-month LIBOR/EURIBOR rate, plus a spread that is either variable or fixed over the life of the loan.
9. The IFAD interest rate for intermediate term loans is 50 per cent of the IFAD interest rate for ordinary term loans.¹

LIBOR/EURIBOR

10. Table 1 shows the LIBOR/EURIBOR rates for Q1 2020 by loan denomination currency and the change from Q4 2019.

Table 1
LIBOR/EURIBOR*
(Percentage)

Currency	SDR	EUR	US\$
Q1 2020	1.20	0.00	1.91
Q4 2019	1.24	0.00	2.06
Change Q4 to Q1	(0.04)	0.00	(0.15)

* LIBOR/EURIBOR rates are subject to a zero floor if there are negative interest rates.

¹ As of September 2012, IFAD no longer offers intermediate term loans.

IFAD spread²

11. For ordinary term loans approved up to 1 January 2019, in addition to the LIBOR/EURIBOR rate, IFAD applies the following spread:
- The IBRD variable spread for loans with an average repayment maturity of 18-20 years.
12. For ordinary term loans approved after 1 January 2019, in addition to the LIBOR/EURIBOR rate, IFAD applies the following:
- The IBRD spread that reflects the average repayment maturity and denomination currency of the loan;
 - Either a variable or a fixed spread as per the borrower's request; and
 - An adjustment to the variable or fixed spread depending on the borrower's country income categorization.³
13. Tables 2 and 3 present the IBRD variable and fixed spread rates by loan denomination currency and the average repayment maturity of the loan for Q1 2020.

Table 2

Variable spread: By loan denomination currency and average maturity applicable for Q1 of 2020⁴
(Percentage)

Currency	Average maturity					
	8 years and below	Greater than 8 to 10	Greater than 10 to 12	Greater than 12 to 15	Greater than 15 to 18	Greater than 18 to 20
SDR	0.49	0.59	0.69	0.79	0.89	0.99
US\$	0.49	0.59	0.69	0.79	0.89	0.99
EUR	0.49	0.59	0.69	0.79	0.89	0.99

Table 3

Fixed spread: By loan denomination currency and average maturity applicable for Q1 of 2020⁴
(Percentage)

Currency	Average maturity					
	8 years and below	Greater than 8 to 10	Greater than 10 to 12	Greater than 12 to 15	Greater than 15 to 18	Greater than 18 to 20
SDR	0.56	0.76	0.86	1.01	1.21	1.31
US\$	0.65	0.85	0.95	1.10	1.30	1.40
EUR	0.50	0.70	0.80	0.95	1.15	1.25

14. Table 4 presents the additional increases to the IBRD variable or fixed spread rates related to the borrower's income category.

Table 4

Maturity premium by country category and average maturity applicable for Q1 of 2020³
(Percentage)

Country income category	Average maturity						Note
	8 years and below	Greater than 8 to 10	Greater than 10 to 12	Greater than 12 to 15	Greater than 15 to 18	Greater than 18 to 20	
Group A	0.00	0.00	0.00	0.00	0.00	0.00	Exempt
Group B	0.00	0.00	0.05	0.10	0.15	0.20	Discount
Group C	0.00	0.00	0.10	0.20	0.30	0.40	Standard
Group D	0.05	0.05	0.20	0.35	0.50	0.65	Surcharge

² Source of data is the information published on the IBRD website on the first working day of the relevant rate revision quarter.

³ The adjustment to the IBRD spread depending on the country income category will be limited to the maturity premium increase introduced by IBRD and effective as of 1 July 2018.

⁴ Excludes the maturity premium increase introduced by IBRD and effective as of 1 July 2018.

B. Blend term loans

15. For blend term loans approved up to 15 February 2019, the interest rates and service charges for loans denominated in SDR, euros and United States dollars for Q1 2020 were 2.00 per cent.
16. For blend term loans approved after 15 February 2019, the interest rate and service charges for loans denominated in SDR remained at 2.00 per cent; however, in order to account for the differences in notional interest rates between the relevant currency and the SDR, for loans denominated in euros and United States dollars the interest rates and service charges have been adjusted each quarter (see table 5).
17. Table 5 presents the interest rates and service charges applicable per loan denomination currency for loans on blend terms approved after 15 February 2019.

Table 5

Interest rate and service charge for blend term loans approved after 15 February 2019

(Percentage)

<i>Currency</i>	<i>SDR</i>	<i>EUR*</i>	<i>US\$*</i>
Q1 2020	2.00	1.16	2.82
Q4 2019	2.00	1.00	2.94
Change Q4 to Q1	0.00	0.16	(0.12)

* Source of data is the information published on the IBRD website on the first working day of the relevant rate revision quarter.

C. Highly concessional term loans

18. For highly concessional term loans approved up to 15 February 2019, the service charge for loans denominated in SDR, euros and United States dollars for Q1 2020 remained constant at 0.75 per cent.
19. For highly concessional term loans approved after 15 February 2019, the service charge for loans denominated in SDR remained at a rate of 0.75 per cent; whereas due to the differences in notional interest rates between the relevant currency and SDR, for loans denominated in euros and United States dollars the service charge has been adjusted each quarter (see table 6).
20. Table 6 presents the service charge applicable by loan denomination currency on highly concessional term loans approved after 15 February 2019.

Table 6

Service charge for highly concessional loans approved after 15 February 2019

(Percentage)

<i>Currency</i>	<i>SDR</i>	<i>EUR*</i>	<i>US\$*</i>
Q1 2020	0.75	0.75	1.42
Q4 2019	0.75	0.75	1.54
Movement Q4 to Q1	0.00	0.00	(0.12)

* Source of data is the information published on the IBRD website on the first working day of the relevant rate revision quarter.