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## **Concessional partner loan from the Department of Foreign Affairs, Trade and Development of Canada to support the IFAD13 programme of loans and grants**

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### **FOR: INFORMATION**

**Useful references:** Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources: Investing in Rural Prosperity and Resilience for a Food-Secure Future ([GC 47/L.5](#))

**Action:** The Executive Board is invited to take note of the information herein.

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### **Technical questions:**

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## Concessional partner loan from the Department of Foreign Affairs, Trade and Development of Canada to support the IFAD13 programme of loans and grants

1. Concessional partner loans (CPLs) are loans from a Member State or state-supported institution with terms more favourable than market rates, such as a lower interest rate and longer maturities and grace periods. These loans help supplement IFAD's resources, and their concessional nature, or grant element, provides the lending country with voting rights.
2. CPLs are important as they allow IFAD to increase financing to low-income and lower-middle-income countries. They are allocated through IFAD's performance-based allocation system.
3. The CPL from the Department of Foreign Affairs, Trade and Development (DFATD) of the Government of Canada is IFAD's first CPL for climate. The funds are part of Canada's International Climate Finance Program 2021–2026 of CAD 5.3 billion.<sup>1</sup>
4. The CPL, in the amount of CAD 263 million, will assist IFAD in achieving its financial targets and significantly contribute to global efforts in addressing climate change and promoting sustainable development, in alignment with Canada's commitments to climate finance and international cooperation.
5. During the Consultation on the Thirteenth Replenishment of IFAD's Resources (IFAD13), Member States agreed to the following condition proposed by IFAD, as reflected in annex V of the IFAD13 Report:<sup>2</sup>

**Earmarking or restrictions on use of funds.** Since the primary purpose of CPLs is to finance lending within IFAD's overall programme of loans and grants (PoLG), in principle, a lender may not restrict the use of the funds being lent to IFAD (e.g. in terms of beneficiaries, purpose, theme or geographic area). In limited cases, a thematic instrument with no specific earmarking to a subset of assets can be considered, if the proposed theme is in line with IFAD's core mission and has strong linkages to IFAD's loan portfolio in its entirety. CPLs for climate may be considered given the significant integration of climate finance within the IFAD PoLG and the IFAD13 focus on strengthening IFAD's toolkit to mobilize climate finance for small-scale farmers.

6. The loan has the following features:
  - Amount in Canadian dollars: CAD 263 million
  - Currency of denomination: United States dollars<sup>3</sup>
  - Maturity: 40 years
  - Grace period (principal): 10 years
  - Interest rate: 1.0 per cent per annum on the outstanding loan balance
  - Commitment fee: None
  - Drawdown: Single-tranche drawdown by 31 March 2026
7. Based on the terms referenced above and in line with the calculation criteria set forth in annex V of the IFAD13 Report, the CPL from Canada for IFAD13 includes a

<sup>1</sup> <https://www.international.gc.ca/world-monde/funding-financement/climate-developing-countries-climatique-pays-developpement.aspx?lang=eng>

<sup>2</sup> GC 47/L.5. Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources: Investing in Rural Prosperity and Resilience for a Food-Secure Future.

<sup>3</sup> While the funds will be transferred in Canadian dollars, IFAD's liability towards DFATD will be denominated in United States dollars. Upon receipt of the funds in Canadian dollars, IFAD will immediately convert the funds into United States dollars at the prevailing spot rate and communicate the resulting amount to DFATD. That amount, expressed and fixed in United States dollars, will be the actual liability towards DFATD, repayable in United States dollars. IFAD will therefore not be exposed to any foreign exchange risk deriving from fluctuations in the US\$:CAD exchange rate during the life of the loan.

grant element of 58.37 per cent.<sup>4</sup>

8. The proceeds from the CPL will be pooled with IFAD's resources and will be managed according to the Fund's policies and procedures.

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<sup>4</sup> The final grant amount in Canadian dollars will be known once the foreign exchange transaction from Canadian dollars into United States dollars is executed.