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## **Concessional Partner Loan Agreement with the Republic of India to Support the IFAD12 Programme of Loans and Grants**

### **Note to Executive Board representatives**

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**For: Approval**

## Recommendation for approval

The Executive Board is invited to approve the proposal that IFAD Management enter into a concessional partner loan agreement with the Republic of India for US\$20 million. The agreement adheres to the parameters set out in the Integrated Borrowing Framework, as detailed in this document.

### I. Executive summary

1. To sustain a programme of loans and grants of up to US\$3.5 billion for the Twelfth Replenishment of IFAD's Resources (IFAD12),<sup>1</sup> IFAD will need to secure borrowing estimated at US\$1.183 billion under the Integrated Borrowing Framework (IBF),<sup>2</sup> comprising:
  - a. Concessional partner loans (CPLs) – US\$93 million; and
  - b. Sovereign loans and private placements – US\$1.09 billion.
2. It is proposed that IFAD sign a CPL agreement with the Republic of India in the amount of US\$20 million. The CPL is fully compliant with the provisions of the IBF.

### II. IFAD12 update

3. As at 31 December 2021, IFAD12 pledges amounted to US\$1.19 billion, including US\$23 million as the CPL grant element. CPLs have been confirmed by Finland and India for EUR 60 million and US\$20 million respectively. The CPL agreement with Finland was signed on 23 December 2021.

### III. Proposal to borrow from the Republic of India and compliance with CPL governance

4. The Government of India generously pledged a CPL of US\$20 million during the IFAD12 pledging session. Reference to this CPL was included in the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12 Report) endorsed by the Governing Council.
5. In line with IBF requirements, India is eligible to lend to IFAD because its core contribution to IFAD12 is higher than 80 per cent of the average core contribution in local currency to the preceding two replenishments (IFAD10 and IFAD11).

#### A. Analysis of the proposal

6. The main loan terms will be as follows:
  - Currency: United States dollars
  - Maturity: 25 years
  - Grace period (principal): 5 years
  - Interest rate: 1 per cent per annum on the outstanding loan balance
  - Number of drawdowns: three equal tranches
7. Based on the terms set forth above, and in line with the calculation criteria set forth in annex I of the IBF document and the IFAD12 CPL coupon and discount rates,<sup>3</sup> India's CPL to IFAD12 includes a grant component of US\$3,460,290.

#### B. Use of borrowed funds

8. The purpose of these CPL resources is to fund IFAD's loans to eligible Member States during the IFAD12 period. As per the IBF, CPL resources will be allocated

<sup>1</sup> EB 2021/133/R.13.

<sup>2</sup> EB 2020/131(R)/R.21/Rev.1.

<sup>3</sup> GC 44/L.6/Rev.1.

through the performance-based allocation system to Member States borrowing on terms comparable to or higher than those applicable to the CPL.

9. The funds will be managed and deployed by IFAD in accordance with internal policies and procedures, including the IBF, the Investment Policy Statement and the terms of the CPL agreement.
10. Funds disbursed to IFAD under this CPL will be used by IFAD as part of its general resources.

### **C. Financial ratios under the Integrated Borrowing Framework**

11. Since the CPL from India was announced at the IFAD12 pledging session on 16 February 2021 and reference to this CPL was included in the IFAD12 Report endorsed by the Governing Council, the CPL amount has already been included in the funding plan and in the projections contained in the Resources Available for Commitment (RAC) document<sup>4</sup> approved by the Executive Board at the December 2021 session. In addition, all the financial ratios remain within the parameters of the IBF, as presented in the RAC.

### **D. Evaluation of risks**

12. The funds will be received in United States dollars and will be lent by IFAD in United States dollars, thereby offsetting the currency exposure.
13. The financial risks are mitigated as required under the IBF and in line with IFAD's overall asset and liability management principles. Risk analysis is based on latest actual data, and cash flow projections and assumptions validated by all relevant departments and as in the RAC.

### **E. Reporting**

14. IFAD will report on the resources mobilized under the CPL agreement as part of IFAD's overall resources in its audited financial statements.

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<sup>4</sup> EB 2021/134/R.17/Rev.1.