

Lending Conditions

In determining the rates of interest on its loans, the term of each loan and the grace period, the Fund takes account of the need for a reasonable degree of concessionality in its loans, such concessionality being reflected in the significant magnitude of the element of grant in the Fund's loans. The level of the element of grant is determined in the light of the economic conditions of the recipient country and the particular circumstances of each project.

In accordance with the requirements of its Charter, the Fund charges, in addition to the interest on each loan, a service fee of one-half of one percent (0.5%) on the amount withdrawn from the loan and outstanding, in order to meet the administrative expenses and the costs incurred in the implementation of the loan agreement. The Fund does not charge any commitment fee for the allocation of the amount of the loan against which withdrawals may be made.

The Fund's loans are subject, in addition to the financial conditions, to other conditions in accordance with the common practice in the field of international development financing. Such conditions include, in particular, certain conditions prescribed by the Fund's Charter such as, furnishing the Fund with periodic reports on the progress of work on the project financed, affording the opportunity to representatives of the Fund to inspect such work, the undertaking of the Borrower to use the proceeds of the loan exclusively for meeting expenditures on the project. Furthermore, the Charter requires that the loan agreements between the Fund and the Borrowers provide, in particular, for the following:

- ❖ An undertaking by the prospective recipient country that no other external debt will have priority over the Fund's loan by means of a lien created on the assets of the Borrower or assets of entities under its control.
- ❖ An undertaking that all Fund's assets and income, which primarily consist of the principal of the loan, the interest and other charges thereon, shall be exempt from all taxes, dues and other levies imposed under the laws of the recipient country.
- ❖ An undertaking that the loan, interest and other charges thereon, shall be exempt from any exchange control restrictions.