Meeting of the CTF and SCF Trust Fund Committees

CLIMATE INVESTMENT FUNDS FINANCIAL TERMS AND CONDITIONS

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1. Introduction

1. The purpose of this Policy is to update the terms and conditions of the financing products for which the multilateral development banks (MDBs) may deploy Climate Investment Funds (CIF) resources for future CIF operations.
2. These updates are provided in accordance with Section 8 of this Policy, which requires an annual update of CIF public sector lending and guarantee rates, CIF eligible countries, CIF countries' relative risk of debt distress and CIF country classifications (tiers). A biennial review of broader policy-related matters pertaining to CIF financial terms and conditions is scheduled for 2023, in accordance with Section 8.

3. The financing terms and conditions outlined in this Policy are effective for all new CTF and SCF financing products that are approved by the relevant Trust Fund Committee on or after July 1, 2022. This Policy is an update to 'Climate Investment Funds Financial Terms and Conditions' policy that was approved by the Joint Meeting of the CTF and SF Trust Fund Committees in November 2020, and which is in effect from July 1, 2021 – June 30, 2022.[1]

4. The following documents are also relevant to the financial terms and conditions of the CIF's new strategic programs:
   (a) *Operational Modalities for the Climate Investment Funds' New [Strategic Programs]*, Joint CTF-SCF/TFC.22/4, dated March 4, 2020;
   (b) *Country Selection Process for the Climate Investment Funds' New [Strategic Programs],* approved in October 2020, dated October 7, 2020*;*
   (c) *Governance Framework for the Strategic Climate Fund,* Adopted November 2008 and amended December 2011; and
   (d) *Governance Framework for the Climate Investment Fund,* Adopted November 2008 and amended June 2014.

1.1 Summary of changes from previous Policy

5. This section provides a high-level summary of changes from the previous Policy, including updates to CIF public sector lending and guarantee rates and reversals and graduations within/beyond CIF categories. These Policy updates are based on rates and country classifications in effect as of April 1, 2022.

[1] This policy also supersedes Section 6.1 of the Financing modalities - Financing terms of the Operational Modalities for the Climate Investment Funds' New [Strategic Programs] document, with regards to financing terms proposed for CIF's new SCF programs.

6. CIF public sector lending rates: These rates, which are based on a percentage of the IDA-only Regular Service charge, are relatively unchanged under the current Policy compared with the previous Policy, reflecting the modest change in the underlying IDA rate over this time.[2] See Section 4c and Annex 3 for further information.

7. CIF public sector guarantee rates: These rates remain unchanged under the current Policy. See Section 5b for further information.

8. Reversals: The following countries experienced an increase in the risk of debt distress:[3] Chad, Comoros, Guinea-Bissau, Madagascar, Malawi, Tanzania, Timor-Leste and Uganda. See Annex 2 for further information. Section 7d provides guidance on implications to CIF and CIF recipient countries, where a downgrade in a country's status occurs.

9. Graduations:
    a) Within CIF lending categories: South Sudan, Mauritania, Senegal and Sudan; and
    b) Beyond CIF Tier 3 eligibility: Antigua and Barbuda and Palau.

10. See Annex 2 for further information. Section 7c provides guidance on implications to CIF and CIF recipient countries, where a graduation within or beyond CIF categories occurs.

2. Section 2: Principles and guidelines for using CIF concessional resources

11. The *Operational Modalities for the Climate Investment Funds' New [Strategic Programs]* document defines general principles for the use of CIF concessional resources for both public and private sector programs and projects.[4]

    - *Economic rationale for using blended concessional finance*: CIF concessional resources should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector. They should be used to address institutional and market failures or other barriers that would not make a given intervention possible. CIF concessional financing should be used when MDBs' own standard financial products are insufficient to catalyze the investment, and if the project would not happen without it.

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[2] CIF lending rates for the current Policy are based on the IDA-only Regular service charge rates as of April 1, 2022 for USD and EUR, which are 1.30% and 0.75%, respectively. Lending rates for the previous Policy are based on IDA rates as of July 1, 2020 for USD and EUR, which were 1.31% and 0.75%, respectively.

[3] Risk of debt distress, as defined by the Joint World Bank-IMF Debt Sustainability Framework methodology. See Section 4b for more information.

[4] These CIF general principals have been developed from the following frameworks: PPCR (2009), *Programming and Financing Modalities For The SCF Targeted Program, The Pilot Program For Climate Resilience (PPCR)*; FIP (2010), *Investment Criteria and Financing Modalities*; SREP (2010), *SREP Financing Modalities*; CTF (2012), *CTF Private Sector Operations*; CTF (2015), *Financing Products, Terms, and Review Procedures for Public Sector Operations*; GCF/B.10/06 (2015), *Level of Concessional Terms for the Public Sector*; GCF/B.19/12/Rev.01, *Concessionality: Potential Approaches for further Guidance*. In the context of private sector operations, and the principles to which CIF partner MDBs will adhere to, see the *Enhanced Principles for Blended Concessional Finance for Private Sector Operations* agreed by the Heads of MDBs and European Development Finance Institutions in October 2017 https://www.ifc.org/wps/wcm/connect/a8398ed6-55d0-4cc4-95aa-bcbabe39f79f/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R....pdf?MOD=AJPERES&CVID=lYCLe0B , which defines common guidelines that provide a framework that allows each institution to formalize the Enhanced Principles within their own processes, varying mandates and operational contexts.

- *Crowding-in and minimum concessionality*: MDBs use of CIF concessional resources should, to the extent possible, contribute to catalyzing market development and mobilizing resources from other sources, particularly from the private sector, and minimize the use of concessional resources. The degree of concessionality should seek to address as directly as possible critical gaps in the financing structure and to minimize the need for future, ongoing concessionality. Where possible, the level of concessionality should be sized relative to the value of the externality[5] or obstacle identified.
- *Commercial sustainability*: The deployment of CIF concessional resources should envision a strategy to phase out concessional support over time to achieve long-term financial sustainability or market viability and avoid dependence on a continuous flow of concessional resources. The CIF subsidy element of the investment should be transparent, targeted to address specific financing gaps, and time bound, with credible expectations that future investments in a similar project in a given sector will gradually require lesser levels of concessionality as market failures or other obstacles are reduced. The impact achieved by the intervention supported with CIF concessional resources should aim to be sustainable over time once CIF resources are no longer available/have been used.
- *Reinforcing markets*: MDBs use of concessional resources should be structured to effectively and efficiently address institutional and market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.
- *Promoting high standards*: MDBs use of concessional resources should seek to promote adherence to high standards of conduct in their clients, including in the areas of corporate governance, environmental impact, gender equality and social inclusion, transparency, integrity, and disclosure.

12. In addition to the general principles outlined above, in order to ensure the sound financial management of CIF's future operations, the following guidelines will be taken into account in determining financing terms:

- Recognition that the MDBs each have their own unique pricing policies which have been developed over time to meet their individual organization's needs and the needs of their various stakeholders.
- CIF pricing, in general, needs to be more concessional than MDBs' own lending terms, in order to incentivize MDBs and recipient countries to take on the transformative initiatives underpinning CIF's mandate.
- Outgoing funding cannot be more concessional than incoming contributors' contributions, therefore, the degree of concessionality of CIF resources will be dependent on the type of contributions received.
- CIF will seek to use its resources to maximise total investment in the near term. Public and private sector investment projects may use CIF capital grants (performance payments, interest rate subsidies, capital grants and other instruments) in place of, or alongside, other financial instruments (including senior and subordinated loans and equity) provided donor resources are available to support such grants.[6]

[5] The existence of an externality is not in itself justification for concessional financing. The principles in this section will apply.
[6] In accordance with the terms of this Policy, including Section 9 where applicable.

3. Section 3: Financing modalities

13. The *Operational Modalities* for *the Climate Investment Funds' New [Strategic Programs]* document provides that CIF's concessional resources can be used through a broad range of financing instruments that can be made available through MDBs to address the variety of context-specific barriers and risks to climate action. CIF resources are expected to be used to finance the following main type of operations:

    - *Technical assistance and advisory services for public and private sector operations:* Provision of (i) non-reimbursable technical cooperation operations and advisory services or ii) contingent recovery technical cooperation operations supportive of investment operations, blended finance operations, or "upstream" analyses carried out for identifying investment opportunities, creating markets, or advancing the development of innovative financing structures or business models.
    - *Costs related to MDB Project Implementation and Supervision Services (MPIS) for preparation and supervision of investments and technical assistance and advisory services interventions (MDBs fees):* Costs include MDBs' expenditures relating to managing the project cycle and covering the incremental staff, consultant, travel, and related costs of project development, implementation, supervision and reporting.
    - *Investment operations:* Provision of reimbursable or non-reimbursable concessional resources to MDBs for the implementation of public sector program and project interventions, which may take the form of investment grants, concessional loans, guarantees, or a combination of these.
    - *Blended finance investment operations:* Provision of reimbursable concessional resources to MDBs for private sector projects, which may consist of debt instruments at softer terms and conditions, local currency financing, or risk mitigation instruments such as guarantees, or equity investments, among other financial instruments.

14. This Policy does not address matters pertaining to technical assistance and advisory services and costs related to MDB project implementation and supervision services, described above. Section 7 Modalities for MDB Cost Recovery of the Operational Modalities for the Climate Investment Funds' New [Strategic Programs] document should be consulted for information on these financing modalities.

15. This Policy provides the financial terms and conditions for CIF resources used to finance *investment operations* and *blended finance investment operations*, described above. The scope of financial instruments to which this Policy applies are based on Section 6.2 *Financing instruments* of the *Operational Modalities for the Climate Investment Funds' New [Strategic Programs]* document.

16. Exceptions for innovative project financing instruments, such as interest rate subsidies, additional types of guarantee products, and other financing arrangements, may be considered for all CIF-eligible countries, subject to the requirements outlined in Section 9 of this Policy.

4. Section 4: Financial terms and conditions – Grants and Public Sector Concessional Loans

a) Public sector programs and projects

17. Grant recipients may be a sovereign government, sub-national government, state-owned utility, or any other public sector entity which implements the proposed CIF project or program. Concessional lending includes: (a) lending to sovereign governments; (b) lending to sovereign governments for on-lending to sub-national entities; or, (c) lending to sub-national entities, state-owned utilities or any other public sector entity. [7] Consistent with MDBs' standard lending practice, they will not be required to seek a guarantee or security for CIF loans to sovereign governments. If a CIF loan is made to a sub-national entity, the member country will be required to guarantee the loan to be able to access public sector lending terms and conditions for the loan.

18. The allocation of CIF concessional resources for public sector projects is based on the application of country-based criteria, as follows:
    a. First, to determine the mix of funds (grants vs loans) that CIF-eligible countries can access for public sector projects; and
    b. Second, to determine the terms of CIF's assistance, where concessional loans are provided.

19. The mix of funds, or product mix, is described in Section 4b Product mix, while the lending terms are provided in Section 4c Lending terms and conditions, below.

b) Product mix

20. The following table presents the product mix provided for CIF public sector financings.

Table 1. CIF product mix

CIF product mix			
Low Income Countries [a.b.]			**Middle Income Countries** [a.c.]
High Risk Countries	**Moderate Risk Countries**	**Low Risk Countries**	
100% grants	50% grants 50% loans	100% loans [d.]	100% loans [d.]

a. Countries are deemed eligible for CIF concessional resources if holding the Official Development Assistance (ODA)-eligibility status at the time of selection and approval by the relevant CIF governing body. The Organization for Economic Co-operation and Development/Development Assistance Committee's

[7] Sub-national entities would be eligible for support under either the public or the private sector window depending upon the source of complementary multilateral support. CIF financing could also be provided to special purpose vehicles owned either by the private sector or owned in part by the private sector and the government to carry out a project on a limited recourse basis where the resources for the project are derived from government entities. Such entities would be eligible for support under either the public or private sector windows depending upon the source of complementary multilateral support.

(OECD/DAC) list of ODA recipients is available on the OECD website https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf. See also Annex 1.

b. Low income countries are IDA-eligible countries (or MDB equivalent). High risk, moderate risk and low risk classifications based on the Joint World Bank-IMF Debt Sustainability Framework. See latest Debt Sustainability Analysis by country on IMF's website: https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

c. A country which holds Official Development Assistance-eligibility status but is not considered a low-income country as defined in b. above.

d. Grants to be considered on an exception basis.

21. Grants may include investment grants, convertible grants and contingent recovery grants. Concessional loans may include development policy loans and other concessional loans.

22. *CIF-eligible low-income countries:* The product mix for CIF-eligible low-income countries shall consider countries' relative risk of debt distress, as defined by the Joint World Bank-IMF's Debt Sustainability Framework methodology.[8] As a result, countries in debt distress or at high-risk of debt distress are eligible to receive 100 percent of CIF financing as grants. Countries at moderate risk of debt distress are eligible to receive 50 percent of CIF financing as grants and the remaining 50 percent as credits, while countries at low risk are eligible to receive 100 percent of CIF project financing as credits, with grants considered on an exception basis, subject to the requirements outlined in Section 9.

23. *CIF-eligible middle-income countries:* Lower middle income and upper middle-income countries are eligible to receive 100 percent of CIF project financing as credits, with grants considered on an exception basis, subject to the requirements outlined in Section 9.

c) Lending terms and conditions:

24. CIF offers concessional public sector loans on three sets of terms: Tier 1, Tier 2 and Tier 3:

a. *Tier 1 Terms*: A country classified as an IDA-only Country and/or a Small State Economy under IDA classifications, or the CIF MDB implementing entities' equivalent;
b. *Tier 2 Terms*: A country classified as a Gap Country or a Blend Country, except Small State Economies, under IDA classifications, or the CIF MDB implementing entities' equivalent; and
c. *Tier 3 Terms:* A country which holds Official Development Assistance (ODA)-eligibility status[9], but does not fall under the CIF Tier 1 or Tier 2 classifications.

25. In instances where a CIF-eligible country is classified differently across the CIF implementing entity MDBs, the more favorable tier classification has been applied for that country.

26. The following table presents the terms and conditions of CIF concessional loans provided to the public sector.

[8] Please refer to the IMF's website https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf for more information.
[9] The Organization for Economic Co-operation and Development/Development Assistance Committee's (OECD/DAC) list of ODA recipients is available on the OECD website https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf. See also Annex 1.

Table 2. Public sector lending terms and conditions

Public Sector Lending Terms				
CIF country classification	**Tier 1**	**Tier 2**	**Tier 3**	
			A	**B**
Lending reference rate [a.]	*Percentage of IDA-only Regular service charge*			
	40%	*60%*	*75%*	*90%*
Currency [b.]	USD and EUR			
CIF lending rate **USD** **EUR**	 0.52% 0.30%	 0.78% 0.45%	 0.98% 0.56%	 1.17% 0.68%
Expected grant element [c.] **USD** **EUR**	 66% 68%	 54% 57%	 43% 46%	 50% 54%
Maturity (years)	Up to 40	Up to 30	Up to 20	Up to 30
Grace period (years)	10	10	8	8
Principal repayments [d.]	20% during first third of the repayment period and 80% during last 2/3rd of the repayment period	Equal semi-annual installments after grace period		

a. CIF public sector lending rates are based on a percentage of the IDA-only Regular Service charge. Refer to IDA's website https://treasury.worldbank.org/en/about/unit/treasury/ida-financial-products/lending-rates-and-fees for the latest IDA-only Regular service charge rates.
b. CIF concessional financing will be provided in USD or EUR (based on IDA-only Regular service charge rates for USD and EUR, respectively). Local currencies to be considered on a case-by-case basis by the TFC.
c. The expected grant element equals the principal amount extended minus the reflows (principal and interest) discounted to today's values, using a market interest rate. The methodology applies a market interest rate of 5% (which is consistent with the rate applied under the IMF-World Bank methodology for calculation of grant element for concessional loans). The methodology takes into account CIF's expected disbursement pattern for each tier of loan, based on historical experience.
d. For Tier 1, illustrative principal repayment schedule for a loan with a 40-year maturity and a 10-year grace period: 2% principal repayment for years 11-20 and 4% principal repayment for years 21-40.

27. Annex 2 provides a listing of CIF-eligible countries' relative risk of debt distress, product mix, and, where applicable, their tier classification. Annex 3 provides a summary of the CIF public sector lending rates and grant elements under the current Policy compared with the CIF lending rates and grant elements under the previous Policy.

d) Other terms:

I. *Currencies:* CIF grants and public sector loans are offered in either USD or EUR. Local currency funding to be considered on a case-by-case basis by the TFC. [10]

II. *Lending rate*: For every CIF public sector loan, a fixed interest charge is payable semi-annually on the principal amount withdrawn and outstanding.

III. *Other:* In cases where sovereign governments borrow from the MDBs for on-lending to sub-national governments, MDBs will specify in the financing agreements that the pricing of CIF concessional resources must be maintained.

5. Section 5: Financial terms and conditions – Public Sector Guarantees

28. Public sector guarantees include guarantee arrangements where the CIF guarantees the obligations of a sovereign government, sub-national government, state-owned utility, or any other public sector entity which implements the proposed public sector low carbon technology project or program.

a) Types of public sector guarantees:

29. CIF resources may be deployed for two categories of guarantee products:

I. Loan Guarantees which cover the loss to private lenders on account of debt service default by public sector borrowers, up to an agreed portion of the actual loss, with a view to extending maturities of commercial loans for low carbon projects so that they are competitive with base case technologies, or to address specific incremental operating or construction risks that could cause default.

II. Contingent Finance guarantees disbursed to the project upon underperformance of a low carbon technology and where such risk is not commercially insurable at reasonable costs or has occurred beyond the period for which commercial insurance is available.

b) Guarantee pricing:

30. Table 3 provides the pricing for CIF public sector guarantees.

Table 3. CIF public sector guarantee pricing

Charges	Fees	Public Projects
Upfront Charges *(one-time fees charge on guarantee amount)*	**Processing**	n/a
	Initiation	n/a
Recurring Charges *(per annum)*	**Standby**	n/a
	Guarantee [a.]	25 bps

[10] Pending development of a local currency funding policy for CIF public sector operations.

a. For loan guarantees, the fee is charged on the disbursed and outstanding amounts of the guaranteed financing and for contingent finance guarantees, the fee is charged on the committed and undisbursed balance of the contingent finance.

c) Other terms:

- **Eligibility**: CIF provides guarantees to CIF-eligible middle-income countries and CIF-eligible low-income countries at low or moderate risk of debt distress, using the same eligibility criteria set out in Section 4.

- **Currencies**: CIF guarantees are offered in either USD or EUR.

- **Guarantee charge:** CIF guarantee rates will be offered based on CIF pricing in place at the time of approval. Once the guarantee-related fees are fixed for a specific guarantee, they will remain unchanged for the life of that guarantee. See Table 3 for pricing.

- **Maturity limits**: CIF's financial exposure under CIF loan guarantees is subject to the same maximum allowable final maturity limits as those applicable to CIF public sector loans as set out under Section 4, Table 2, as applicable to the member country. The term of contingent finance guarantees will be decided on a case-by-case basis, not exceeding 20 years.

- **Fund management:** In order to maintain the creditworthiness of the guarantor in the eyes of commercial financiers, the MDB will retain CIF funds in an amount to match guarantees committed on a one-to-one basis.

- **Counter-guarantee:** No requirement for sovereign government indemnity for any CIF guarantee. Credit risk exposure under the CIF financing will be borne by the relevant CIF trust fund.

- **Ongoing eligibility**. Consistent with IDA guarantees provided on a concessional basis, approved and/or outstanding guarantees provided by CIF will not be subject to transition requirements, as outlined in Section 7.

6. Section 6: Financial terms and conditions – Private Sector Projects

31. Private sector project recipients refer to private companies, sub-sovereign and commercially oriented state-owned enterprises, that can access non-sovereign guaranteed financing according to the policies of the MDBs.

32. For private sector projects, the degree of concessionality of CIF resources shall be determined by MDBs on a case-by-case basis, implementing the common guidelines of the Enhanced Blended Concessional Finance Principles for Private Sector Investment Operations agreed by the heads of MDBs and European Development Finance Institutions in October 2017, within their own processes and operational contexts.[11]

[11]Joint-DFIs (2017), DFI Working Group on Blended Concessional Finance for Private Sector Projects; Summary Report 2017

33. CIF concessional finance for such projects may be provided through a variety of instruments utilized by the MDBs for lending, investing and providing technical assistance and advisory services. Types of financial instruments that MDBs might use to deploy CIF concessional resources for such projects will be project specific and subject to CIF requirements[12] and approvals by the relevant CIF governing body. Examples of financing instruments (non-exhaustive) include convertible grants and contingent recovery grants, contingent recovery loans, subordinated loans/mezzanine instruments, equity, guarantees, senior/subordinated loans in USD or EUR, and senior/subordinated loans in local currency.[13]

7. Section 7: Eligibility for concessional funds: initial and ongoing

a) Initial eligibility:

34. As noted in Section 1 of the *Country Selection Process for the Climate Investment Funds' New [Strategic Programs]* document, a country will be deemed eligible for CIF concessional resources under the new CIF programs, if the country holds ODA-eligibility status at the time of the relevant CIF governing body inviting a country into a CIF Program.

35. CIF will confirm a recipient country's eligibility status and apply the resultant product mix and lending terms effective at the time of CIF funding approval by the relevant CIF governing body for a particular program or project.

b) Ongoing eligibility:

36. The timelines for CIF's programs span many years, during which time a country's relative risk of debt distress (indicated in Table 1), its borrowing status (Tier) (indicated in Table 2), or its ODA eligibility might change (graduation or reversal, as described below).

c) Graduation:

37. CIF has adopted a transition framework, similar to what many of the MDBs have in place themselves, to account for instances when a country 'graduates' from one lending category to another while recognizing a country's ongoing eligibility to receive concessional funds in support of lending activities under CIF programs.

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https://www.ifc.org/wps/wcm/connect/a8398ed6-55d0-4cc4-95aa-bcbabe39f79f/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R....pdf?MOD=AJPERES&CVID=lYCLe0B , DFI Working Group on Blended Concessional Finance for Private Sector Projects – Joint Report, October 2018 Update. https://www.ifc.org/wps/wcm/connect/3aaf1c1a-11a8-4f21-bf26-e76e1a6bc912/201810_DFI-Blended-Finance-Report.pdf?MOD=AJPERES&CVID=mpvbN7c

[12] Refer to *Operational Modalities for the Climate Investment Funds' New Strategic Programs,* Joint CTF-SCF/TFC.22/4, dated March 4, 2020, Section 6.2 Financing instruments, for further information.

[13] Current guidance for use of local currency for private sector operations includes the following CTF policy: https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_tfc.12_9_use_of_local_currency_0.pdf

Graduation within CIF lending categories:

i. Where a country moves from high risk to moderate risk or from moderate risk to low risk, as defined by the Joint World Bank-IMF's Debt Sustainability Framework methodology; or

ii. Where a country moves from Tier 1 to Tier 2, or from Tier 2 to Tier 3, as defined in Section 4 of this Policy.

38. In these instances, there will be no change to terms and conditions associated with CIF projects or programs already approved by the relevant CIF governing body and/or outstanding. CIF lending rates and repayment terms, once fixed for a project or program, will remain unchanged for the life of that particular CIF program or project. Projects or programs not yet approved by the relevant CIF governing body will be subject to the product mix and terms in effect at the time of approval by the relevant CIF governing body.

39. Graduation beyond Tier 3: This would apply when a country exceeds the high-income threshold and no longer meets the ODA-eligibility criteria. CIF projects or programs already approved by the relevant CIF governing body and/or outstanding at the time of the respective country's graduation beyond Tier 3 would not be affected. The pricing for CIF projects or programs under preparation under the country's investment plan that are not yet approved by the relevant CIF governing body would be considered on a case-by-case basis by the TFC.

d) Reversals:

40. When a recipient country's economic condition has deteriorated significantly, and the recipient country has outstanding CIF loans, CIF may, if the recipient requests, examine the feasibility of offering additional concessionality. These instances may include:

i) Where a country ceases to be creditworthy for the implementing entity MDB's non-concessional financing and now meets the ODA eligibility criteria for financing provided to CIF-eligible countries, or

ii) Where a country moves from low risk to moderate risk or from moderate risk to high risk as defined by the Joint World Bank-IMF's Debt Sustainability Framework methodology; or

iii) Where a country moves from Tier 3 to Tier 2 or from Tier 2 to Tier 1, as defined in Section 4 of this Policy.

41. Any downgrade in a country's status which results in eligibility for more favorable financial terms associated with approved CIF instruments or eligibility to a greater mix of grants (rather than loans) as a result of a downgrade, will be considered and approved, where applicable, by the TFC based on an assessment of overall CIF resource availability[14] and impact on CIF's risk profile at that time.

[14] Subject to the terms of the CTF and/or SCF Contribution Agreements/Arrangements and applicable Standard Provisions.

e) Approvals:

42. Any change in lending terms or product mix to a recipient country under Section 7 of this Policy would be subject to the review and approval by the TFC.

8. Section 8: Periodic review of terms and conditions

43. To ensure the continued relevance of the CIF pricing and other terms and conditions, the following review cycle has been implemented:

   a. An annual update to this Policy will be prepared, using rates and country classifications in effect as of April 1st of each year, to reflect changes in:
      i) lending and guarantee rates, applicable for new CIF public sector financings, arising from assessments carried out in accordance with this Policy;
      ii) CIF eligible countries, based on ODA-eligibility status;
      iii) CIF countries' relative risk of debt distress, as defined by the Joint World Bank-IMF debt sustainability framework (which determines CIF public sector product mix eligibility); and
      iv) CIF country classifications (tiers) applicable for new CIF public sector financings.

      These updates will be submitted to the TFC for information purposes and will take effect on July 1st of each year; and

   b. A biennial[15] review of policy-related matters pertaining to financial terms and conditions, including lending and guarantee rates, maturity, grace period, and country eligibility criteria, for CIF public sector financings; and, where relevant, the presentation of recommendations for consideration by the TFC.

9. Section 9: Exceptions

44. Exceptions to this Policy are not normally considered. However, under extraordinary country, project or program circumstances, exceptions to the terms and conditions outlined in this Policy may be submitted to the TFC for their consideration and approval, subject to justification and documentation of rationale supporting the exception to the Policy and subject to the terms of the CTF and/or SCF Contribution Agreements/Arrangements and applicable Standard Provisions.

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[15] Or more frequently, as required, to address TFC requests, or to reflect impacts arising from changes in CIF-related policy matters.

10. ANNEX 1: DAC List of ODA Recipients

45. Effective for reporting in 2022 & 2023 flows[16]

Least Developed Countries	**Low-Income Countries** (per capita GNI <= $1 045 in 2020)	**Lower Middle-Income Countries and Territories** (per capita GNI $1 046-$4 095 in 2020)	**Upper Middle-Income Countries and Territories** (per capita GNI $4 096- $12 695 in 2020)
Afghanistan	Democratic People's Republic of Korea	Algeria	Albania
Angola	Syrian Arab Republic	Belize	Argentina
Bangladesh		Bolivia	Armenia
Benin		Cabo Verde	Azerbaijan
Bhutan [a.]		Cameroon	Belarus
Burkina Faso		Congo	Bosnia and Herzegovina
Burundi		Côte d'Ivoire	Botswana
Cambodia		Egypt	Brazil
Central African Republic		El Salvador	China (People's Republic of)
Chad		Eswatini	Colombia
Comoros		Ghana	Costa Rica
Democratic Republic of the Congo		Honduras	Cuba
Djibouti		India	Dominica
Eritrea		Indonesia	Dominican Republic
Ethiopia		Iran	Ecuador
Gambia		Kenya	Equatorial Guinea
Guinea		Kyrgyzstan	Fiji
Guinea-Bissau		Micronesia	Gabon
Haiti		Mongolia	Georgia
Kiribati		Morocco	Grenada
Lao People's Democratic Republic		Nicaragua	Guatemala
Lesotho		Nigeria	Guyana
Liberia		Pakistan	Iraq
Madagascar		Papua New Guinea	Jamaica
Malawi		Philippines	Jordan
Mali		Samoa	Kazakhstan
Mauritania		Sri Lanka	Kosovo
Mozambique		Tajikistan	Lebanon
Myanmar		Tokelau *	Libya
Nepal		Tunisia	Malaysia
Niger		Ukraine	Maldives
Rwanda		Uzbekistan	Marshall Islands
Sao Tome and Principe [a.]		Vanuatu	Mauritius
			Mexico

[16] Source: The Organization for Economic Co-operation and Development/Development Assistance Committee's (OECD/DAC) list of ODA recipients is available on the OECD website. https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf.

Senegal Sierra Leone Solomon Islands [a.] Somalia South Sudan Sudan Tanzania Timor-Leste Togo Tuvalu Uganda Yemen Zambia		Viet Nam West Bank and Gaza Strip Zimbabwe	Moldova Montenegro Montserrat * Namibia Nauru [b.] Niue * North Macedonia Panama Paraguay Peru Saint Helena * Saint Lucia Saint Vincent and the Grenadines Serbia South Africa Suriname Thailand Tonga Turkey Turkmenistan Venezuela [c.] Wallis and Futuna *

a. General Assembly resolution A/73/L.40/Rev.1 adopted on 13 December 2018 decided that Bhutan will graduate five years after the adoption of the resolution, i.e. on 13 December 2023, and that São Tomé and Príncipe and Solomon Islands will graduate six years after the adoption of the resolution, i.e. on 13 December 2024.
b. Nauru exceeded the high-income threshold in 2019 and 2020. In accordance with the DAC rules for revision of this List, if it remains a high-income country until 2022, it will be proposed for graduation from the List in the 2023 review.
c. Venezuela has been temporarily unclassified by the World Bank in July 2021 pending release of revised national accounts statistics. Estimated placement on the List.

*Countries and territories not classified in World Bank income groups. Estimated placement on the List.

Note: Antigua and Barbuda and Palau graduated from the DAC List of ODA Recipients on 1 January 2022.

11. ANNEX 2: CIF-eligible countries [17]

CIF-ELIGIBLE LOW-INCOME COUNTRIES			
COUNTRY	**RISK OF DEBT DISTRESS [18]**	**PRODUCT MIX[19]**	**CIF LENDING TERMS [20]**
Afghanistan	High	100% grants	Tier 1
Bangladesh	Low	100% loans	Tier 2
Benin	Moderate	50% grants/50% loans	Tier 1
Bhutan	Moderate	50% grants/50% loans	Tier 1
Burkina Faso	Moderate	50% grants/50% loans	Tier 1
Burundi	High	100% grants	Tier 1
Cabo Verde	High	100% grants	Tier 1
Cambodia	Low	100% loans	Tier 2
Cameroon	High	100% grants	Tier 2
Central African Republic	High	100% grants	Tier 1
Chad	In distress	100% grants	Tier 1
Comoros	High	100% grants	Tier 1
Congo, Dem. Rep.	Moderate	50% grants/50% loans	Tier 1

[17] Low income countries are IDA-eligible countries (or MDB equivalent). The list of countries currently eligible to receive IDA resources is available here. https://ida.worldbank.org/en/about/borrowing-countries.

[18] The degree of concessionality for CIF-eligible low-income countries considers the countries' relative risk of debt distress as defined by the Joint World Bank-IMF's Debt Sustainability Framework methodology. The risk of debt distress is as of March 31, 2022 and based on the most recently published data on IMF's website. Please see IMF's website https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf for the latest debt sustainability analysis for Low Income Countries.

[19] Countries in debt distress or at high-risk of debt distress are eligible to receive 100 percent of CIF financing as grants. Countries at moderate risk of debt distress are eligible to receive 50 percent of CIF financing as grants and the remaining 50 percent as credits, while countries at low risk are eligible to receive 100 percent of CIF project financing as credits, with grants considered on an exception basis.

[20] CIF offers concessional public sector loans on three sets of terms: *Tier 1 Terms*: A country classified as an IDA-only Country and/or a Small State Economy under IDA classifications, or the CIF MDB implementing entities' equivalent; *Tier 2 Terms*: A country classified as a Gap Country or a Blend Country, except Small State Economies, under IDA classifications or the CIF MDB implementing entities' equivalent; and *Tier 3 Terms:* A country which holds Official Development Assistance (ODA)-eligibility status, but does not fall under the CIF Tier 1 or Tier 2 classifications. In instances where a CIF-eligible country is classified differently across the CIF MDB implementing entities, the more favorable tier classification has been applied for that country.

Congo, Republic of	In distress	100% grants	Tier 2
Cote d'Ivoire	Moderate	50% grants/50% loans	Tier 2
Djibouti	High	100% grants	Tier 1
Dominica	High	100% grants	Tier 1
Eritrea	Latest data is not publicly available	To be determined	Inactive countries: no active financing due to protracted non-accrual status
Ethiopia	High	100% grants	Tier 1
Fiji	Not included in Debt Sustainability List	100% loans[21]	Tier 1
Gambia, The	High	100% grants	Tier 1
Ghana	High	100% grants	Tier 2
Greneda	In distress	100% grants	Tier 1
Guinea	Moderate	50% grants/50% loans	Tier 1
Guinea-Bissau	High	100% grants	Tier 1
Guyana	Moderate	50% grants/50% loans	Tier 1
Haiti	High	100% grants	Tier 1
Honduras	Low	100% loans	Tier 2
Kenya	High	100% grants	Tier 2
Kiribati	High	100% grants	Tier 1
Kosovo	Not included in Debt Sustainability List	To be determined	Tier 2
Kyrgyz Republic	Moderate	50% grants/50% loans	Tier 1
Lao PDR	High	100% grants	Tier 2
Lesotho	Moderate	50% grants/50% loans	Tier 2
Liberia	Moderate	50% grants/50% loans	Tier 1

[21] Fiji is classified as an IDA-only Country under the Small State Economy exception and receives financing on IDA small economy terms. Product mix reflects Fiji's classification as an Upper Middle-Income Country under the DAC list of ODA recipients (provided under Annex 1).

Madagascar	Moderate	50% grants/50% loans	Tier 1
Malawi	High	100% grants	Tier 1
Maldives	High	100% grants	Tier 1
Mali	Moderate	50% grants/50% loans	Tier 1
Marshall Islands	High	100% grants	Tier 1
Mauritania	High	100% grants	Tier 2
Micronesia, Fed. Sts.	High	100% grants	Tier 1
Mozambique	In distress	100% grants	Tier 1
Myanmar	Low	100% loans	Tier 2
Nepal	Low	100% loans	Tier 1
Nicaragua	Moderate	50% grants/50% loans	Tier 2
Niger	Moderate	50% grants/50% loans	Tier 1
Nigeria	Not included in Debt Sustainability List	To be determined	Tier 2
Pakistan	Not included in Debt Sustainability List	To be determined	Tier 2
Papua New Guinea	High	100% grants	Tier 2
Rwanda	Moderate	50% grants/50% loans	Tier 1
Samoa	High	100% grants	Tier 1
São Tomé and Principe	In distress	100% grants	Tier 1
Senegal	Moderate	50% grants/50% loans	Tier 2
Sierra Leone	High	100% grants	Tier 1
Solomon Islands	Moderate	50% grants/50% loans	Tier 1
Somalia	In distress	100% grants	Tier 1
South Sudan	High	100% grants	Tier 1
St. Lucia	Moderate	50% grants/50% loans	Tier 1

St. Vincent and the Grenadines	High	100% grants	Tier 1
Sudan	In distress	To be determined	Tier 1. Has been removed from non- accrual status effective March 25, 2021
Syrian Arab Republic	Not included in Debt Sustainability List	To be determined	Inactive countries: no active financing due to protracted non- accrual status
Tajikistan	High	100% grants	Tier 1
Tanzania	Moderate	50% grants/50% loans	Tier 1
Timor-Leste	Moderate	50% grants/50% loans	Tier 1
Togo	Moderate	50% grants/50% loans	Tier 1
Tonga	High	100% grants	Tier 1
Tuvalu	High	100% grants	Tier 1
Uganda	Moderate	50% grants/50% loans	Tier 1
Uzbekistan	Low	100% loans	Tier 2
Vanuatu	Moderate	50% grants/50% loans	Tier 1
West Bank and Gaza Strip	Not included in Debt Sustainability List	100% grants[22]	See accompanying footnote
Yemen, Rep.	Moderate	50% grants/50% loans	Tier 1
Zambia	High	100% grants	Tier 2
Zimbabwe	In distress	To be determined	Inactive countries: no active financing due to protracted non- accrual status

[22] West Bank & Gaza is not a member country of IDA so is not eligible for direct regular IDA financing, but receives grants through the Trust Fund for Gaza and the West Bank.

46. Changes since the previous Policy (CIF-eligible-low income countries):

Country	Reversal/ Graduation	Current	Previous
		Risk of Debt Distress	
Chad	Reversal	In distress	High
Comoros	Reversal	High	Moderate
Guinea-Bissau	Reversal	High	Moderate
Madagascar	Reversal	Moderate	Low
Malawi	Reversal	High	Moderate
South Sudan	Graduation	High	In distress
Tanzania	Reversal	Moderate	Low
Timor-Leste	Reversal	Moderate	Low
Uganda	Reversal	Moderate	Low
		CIF Lending Terms (Tier)	
Mauritania	Graduation	2	1
Senegal	Graduation	2	1
Sudan	Graduation	1	Inactive

ANNEX 2 (continued)

CIF-ELIGIBLE MIDDLE-INCOME COUNTRIES[23] PRODUCT MIX: 100% LOANS LENDING TERMS: TIER 3A AND TIER 3B			
Albania	Costa Rica	Kazakhstan	Panama
Algeria	Cuba	Korea, Democratic People's Republic of	Paraguay
Angola	Dominican Republic	Lebanon	Peru
Argentina	Ecuador	Libya	Philippines
Armenia	Egypt	Malaysia	Saint Helena
Azerbaijan	El Salvador	Mauritius	Serbia
Belarus	Equatorial Guinea	Mexico	South Africa
Belize	Eswatini	Moldova	Sri Lanka
Bolivia	Gabon	Mongolia	Suriname
Bosnia and Herzegovina	Georgia	Montenegro	Thailand
Botswana	Guatemala	Montserrat	Tokelau
Brazil	India	Morocco	Tunisia
China	Indonesia	Namibia	Turkey
Colombia	Iran	Nauru	Turkmenistan
	Iraq	Niue	Ukraine
	Jamaica	North Macedonia	Venezuela
	Jordan		Viet Nam
			Wallis and Futuna

47. Changes since the previous Policy (CIF-eligible middle-income countries):

- Antigua and Barbuda and Palau have graduated beyond CIF Tier 3 eligibility due to their graduation from the DAC List of ODA Recipients on 1 January 2022.

[23] CIF offers concessional public sector loans on three sets of terms: *Tier 1 Terms*: A country classified as an IDA-only Country and/or a Small State Economy under IDA classifications, or the CIF MDB implementing entities' equivalent; *Tier 2 Terms*: A country classified as a Gap Country or a Blend Country, except Small State Economies, under IDA classifications or the CIF MDB implementing entities' equivalent; and *Tier 3 Terms:* A country which holds Official Development Assistance (ODA)-eligibility status, but does not fall under the CIF Tier 1 or Tier 2 classifications. In instances where a CIF-eligible country is classified differently across the CIF MDB implementing entities, the more favorable tier classification has been applied for that country.

12. ANNEX 3: CIF Public sector lending rates

Public Sector Lending Rates and Grant Element				
CIF country classification	**Tier 1**	**Tier 2**	**Tier 3**	
			A	**B**
Lending reference rate [a.]	*Percentage of IDA-only Regular service charge*			
	40%	*60%*	*75%*	*90%*
	Current Policy			
CIF lending rate [b.]				
USD	0.52%	0.78%	0.98%	1.17%
EUR	0.30%	0.45%	0.56%	0.68%
Expected grant element [c.]				
USD	66%	54%	43%	50%
EUR	68%	57%	46%	54%
	Previous Policy			
CIF lending rate [d.]				
USD	0.52%	0.79%	0.98%	1.18%
EUR	0.30%	0.45%	0.56%	0.68%
Expected grant element [c.]				
USD	66%	54%	43%	50%
EUR	68%	57%	46%	54%

a. CIF lending rates are based on a percentage of the IDA-only Regular Service charge. Refer to IDA's website https://treasury.worldbank.org/en/about/unit/treasury/ida-financial-products/lending-rates-and-fees for the latest IDA-only Regular service charge rates.
b. CIF lending rates for the current Policy (in effect from July 1, 2022 – June 30, 2023) are based on the IDA-only Regular service charge rates as of April 1, 2022 for USD and EUR, which are 1.30% and 0.75%, respectively.
c. The expected grant element equals the principal amount extended minus the reflows (principal and interest) discounted to today's values, using a market interest rate. The methodology applies a market interest rate of 5% (which is consistent with the rate applied under the IMF-World Bank methodology for calculation of grant element for concessional loans). The methodology takes into account CIF's expected disbursement pattern for each tier of loan, based on historical experience.
d. CIF lending rates for the previous Policy (in effect from July 1, 2021 – June 30, 2022) are based on the IDA-only Regular service charge rates as of July 1, 2020 for USD and EUR, which were 1.31% and 0.75%, respectively.

The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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