 TERMS & CONDITIONS OF ADB LOANS

India borrows from ADB within overall external debt management policy pursued by the Government which focuses on raising funds on concessional terms from less expensive sources with longer maturities. India started borrowing from ADB (Ordinary Capital Resources (OCR) only) in 1986. Although India is eligible to draw partly from the Asian Development Fund (ADF) which provides concessional funding, India has consciously opted out of this facility to allow the Least Developed Countries (LDCs) to avail of this facility.

2. **Graduation Policy** - Under the Graduation Policy approved by ADB in Dec 1998, developing countries are classified on the basis of (i) per capita GNP and (ii) Debt repayment capacity. Modification to this policy was approved by the Board in Apr, 2008. DMCs are categorized in 3 groups:
   - **Group A** - DMCs with access to only Asia Development Fund (ADF)
   - **Group B** - Access to a blend of ADF and OCR
   - **Group C** - Access to OCR only

India is placed in **Category B**, i.e., it has to contribute more than 20% of total cost of the Loans drawn (usually in the form of counterpart Staff and Infrastructure costs). As stated earlier, although India is eligible for ADF, it does not access the facility in order to avoid crowding out other eligible countries.

**Ordinary Capital Resources (OCR) Charges**

3. The **ADB follows the calendar year** for all its programs and projects.

4. **Rate of Interest** - India has been accessing ADB’s OCR which is LIBOR-based loan (LBL) product since its introduction on 1st July 2001. Prior to that from 1986, India had accessed Pool based Multicurrency loans. Until June 30, 2001 interest on the earlier loans was 6.70% (US $ loan), but under the LBL, the interest rate is floating and current applicable rate was LIBOR + 20 bps for loans negotiated on or after 1st October 2007, rate was revised to LIBOR + 30 bps for loans negotiated on or after 1st July, 2010 and further revised to LIBOR + 40 bps for loans negotiated on or after 1st July, 2011. ADB Board has decided to raise the loan charges by 10 bps effective for loans negotiated on or after 1st January 2014. Presently the interest rate is LIBOR + 50 bps.

5. **Commitment charges** - For project loans negotiated prior to Dec 31, 2006 commitment charges are levied @ 0.75% on: (i) 15% of undisbursed loan balances for the first year; (ii) 45% of undisbursed loan balances for the second year; (iii) 85% of undisbursed loan balances for the third year; and (iv) 100% of undisbursed loan balances from the fourth year onwards. For project loans negotiated on or after 1st Jan 2007, commitment charges are levied on a flat rate of 0.35% on the undisbursed loan balances. This has been further reduced to **0.15% for both Program and Project Loans for loans negotiated on or after 1st October 2007**.

6. **Front-end Fee** - ADB Board in its meeting on 7th December 2007 announced the elimination of the front-end-fee for all loans negotiated on or after 1st October 2007. Earlier, it was one-time payment of 0.5% of total loan amount.

7. **Maturity Premium** - The ADB Board in its meeting in December, 2011 announced the introduction of the following maturity premiums for all the loans negotiated on or after 1st April, 2012:
   - (i) A maturity premium of 10 basis points per annum on loans with an average loan maturity of greater than 13 years and up to 16 years;
   - (ii) A maturity premium of 20 basis points per annum on loans with an average loan maturity of greater than 16 years and up to 19 years; and
   - (iii) That the average loan maturity of loans shall not exceed 19 years.

8. **Normal Repayment period** - The normal repayment period for a **Project Loan is 20 years plus a grace period of 5 years** and for the **Program Loan it is 15 years including a grace period of 3 years.**

****