

Regulation on the use of ACF funds for Providing Investment Loans

Summary

This Regulation, approved by the ACF Council on February 25, 2010, establishes procedures for the issuance of investment loans (ILs) of the EurAsEC Anti-Crisis Fund (ACF).

- ILs can be extended for two types of Projects: (a) national investment Projects that are sponsored by a borrower Government; and (b) multilateral investment Projects implemented by a Project company (PC) and approved by member Governments on whose territory such Projects will be implemented. Any Project seeking ACF funding should meet the objectives of the Fund, namely it should assist member countries in overcoming the consequences of global financial crisis, ensure their long-run economic and financial stability, and foster economic integration between them.
- Local governments cannot contract ILS from the ACF.
- ILs are extended only if a requesting country and borrowing entity are current on all their financial obligations vis-à-vis the ACF, its other member countries, and other IFIs.
- While making a decision to extend an IL, the ACF Council considers:
 - Ability of a potential borrower to incur additional debt (taking into account the opinions of other appropriate institutions e.g. IFIs, rating agencies, etc.);
 - If an IL is sought by a Government, its institutional capacities and the quality of governance are evaluated (also taking into account the assessments of other IFIs).
- ILs are granted within [country access limits](#) which are set by the ACF Council on the basis of the country's GNI per capita. These access limits are revised annually and comprise all forms of ACF lending to a country. ILs to Project companies are counted against country access limits as well.
- ILs are available only in USD and EUR.
- All ILs are reimbursable and carry interest. No grants are available from the ACF.
- ILs' indicative financial terms are as follows:

	Governments	PCs
Interest rates	Calculated essentially as weighted average of the cost of funding of Russia and Kazakhstan in the international markets for the preceding six months	
Other charges	<ul style="list-style-type: none">• Risk premium (determined by the ACF Council)• Front end fee of up to 1% (can be waived by ACF Council);• Commitment fee of 0.5%	
Repayment terms	up to 5 years grace, up to 15 years maturity including grace period	up to 5 years grace, up to 10 years maturity including grace period
Co-financing	not required	no less than 20%
Co-financing by the ultimate beneficiary	no less than 20%	n.a.
Additional provisions	Financial terms on ILs contracted by low-income countries shall comply with the requirements of those countries' anti-crisis programs supported by the IMF, meaning that ILs to these countries will carry grant element of no less than 35%	

- Terms listed above are (a) *indicative*, the ACF Council can change them; and (b) should *meet the requirements set forth for the borrower by other IFIs*
- Minimum amounts of ILs for countries with under US\$5,000 GNI per capita are set at US\$10 million, and for all other countries at US\$30 million.

- ILs are extended only if no other source of financing is available to the Project, either from the markets (on terms acceptable to the borrower) or from other IFIs including EDB itself.
- The proceeds of an IL contracted by a Government should be lent to a PC. The terms of such lending are to be approved by the ACF Council.
- If IL is extended to the Government, the Project it finances must be included in the State budget.
- No unsecured ILs can be extended to Project companies. Acceptable forms of security are: (a) full or partial sovereign guarantees provided the issuer(s) is/are current on its/their external debt obligations; (b) guarantees of financial institutions that have international credit rating of “AA-” (Fitch/S&P) or Aa3 (Moody’s) or higher; (c) highly liquid assets acceptable to the ACF Council; and (d) third party suretyships if accepted by the ACF Council.
- For budget management reasons, a two-stage approval process is established for ILs: (a) the potential Borrower submits to the ACF Council a Preliminary Application, the ACF Manager issues a Preliminary Evaluation, and if the ACF Council supports the Project a detailed Feasibility Study (F/S) is prepared; (b) the ACF Council considers the full F/S and decides on the provision of the IL on the basis of the ACF Manager’s recommendations.
- If the investment Project is multinational, the consent of all countries on whose territory it will be implemented must be obtained.
- Once an IL is granted, ACF Manager monitors the course of implementation of the Project funded by it and ensures that the uses of loan proceeds correspond fully to the purposes of the Project.
- ILs are extended in coordination with other IFIs, governments and stakeholders and can co-finance their operations.