Loan

Sovereign loans
State financing

The purpose of sovereign loans is to finance development projects and policies carried out by AFD's partner countries.

Their pricing depends on the level of subsidy granted by the French State, which makes it possible to make the loan more or less concessional according to the classification established by the OECD.

Sovereign loans represent approximately 50% of AFD's active portfolio.


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Objectives

Finance the development of sovereign States, in the form of projects or budgetary financing (public policies) implemented by public entities.

Propose pricing according to the level of development of the country.

Beneficiaries

States or public entities guaranteed by the State, in the countries listed by the OECD Development Assistance Committee, classified by income level:

- Least Developed Countries (LDCs)
- Lower-Middle-Income Countries (LMICs)
- Upper-Middle-Income Countries (UMICs)

Link to the full list of countries concerned on the OECD website – click here

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Characteristics

Type of instrument: Loan

Duration: 5 to 20 years

Grace period: 0 to 7 years

Interest rate: Euribor 6 months + margin

Disbursements: At each disbursement, the borrower has the choice between a fixed or variable rate, and the possibility, throughout the term of the loan, to convert the variable rate tranches into fixed rate tranches without charge

Currencies: EUR/USD

Schedule/periodicity: Constant capital/half-yearly

Commissions: Commitment fee (0.5%)/investigation fee (0.5%)

Options: Contingency loan (stand-by budget financing available in the event of a natural disaster), multi-tranche facility (financing projects with several components or phases)

Examples

Dominican Republic ($230 M): Modernization of the transport network to facilitate travel in the capital.

Congo (€100 M): Improved access to drinking water in Brazzaville (increased production capacity, network rehabilitation and sector governance).


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