

RESOLUTION AG-3/07

Multilateral Debt Relief and Concessional Finance Reform
at the Inter-American Development Bank

WHEREAS, the Committee of the Board of Governors (the "Committee") met on November 17, 2006, considered debt relief and the permanency of the concessional window of the Bank, agreed upon a program for concessional resources, and recommended to submit Document AB-2504, including a proposed resolution, to the Board of Governors for approval;

WHEREAS, on December 21, 2006, the Board of Governors adopted Resolution AG-9/06 entitled "Agreement on Concessional Resources of the Bank";

WHEREAS, the Committee met on January 21 and 22, 2007, considered Document CA-474-2 entitled "Implementing Multilateral Debt Relief and Concessional Finance Reform at the Inter-American Development Bank" (IDB), and received a presentation including a framework for the application of a Debt Sustainability Framework and Performance-Based Allocation subsequently published as Document CA-474-3 (the "DSF/PBA Framework"); and

WHEREAS, the Committee recommended to submit Document CA-474-2 to the Board of Governors for approval by electronic voting from February 22, 2007 to March 15, 2007;

The Board of Governors

RESOLVES THAT:

1. The Report of the Committee of the Board of Governors on Multilateral Debt Relief and Concessional Resources of the Bank which is set forth in Document CA-474-2 is hereby approved with the following amendments:

- (a) With regard to Section 7, Haiti will be eligible to receive US\$50 million annual grants during 2007 through 2009, inclusive. After 2009, Haiti shall be eligible to receive a mix of grants and FSO loans, of which the grant element may be US\$40 million, consistent with the DSF/PBA Framework.

- (b) With regard to Section 8, while the annual allocation for FSO is expected to be US\$108 million, the total annual FSO and OC parallel lending shall be determined consistent with the application of the DSF/PBA Framework.
2. Management shall present to the Board of Executive Directors, by February 7, 2007, and the Board of Executive Directors shall approve no later than February 21, 2007, a proposal to implement the DSF/PBA Framework in accordance with the principles contained in Sections 3 and 4 of the DSF/PBA Framework.
 3. In accordance with Document CA-474-2, Section 11, the Board of Executive Directors shall approve, consistent with its authority, an allocation of administrative expenses through which 15% of the total administrative expenses shall be borne by the FSO for the years 2007 through 2010, inclusive, with this share declining in a linear fashion to reach 11.25% of such total expenses for the year 2015.
 4. Every two years there shall be a review of implementation of the DSF/PBA Framework. The first of these shall be conducted by Management for review by the Board of Executive Directors for subsequent consideration by the Committee of the Board of Governors at the IDB Annual Meeting in 2009.
 5. Management will present a report for information to the Board of Executive Directors with a description of the criteria to be used, in consultation with the countries concerned, for the selection and cancellation of undisbursed balances as provided for in Document CA-474-2, Section 6.a.
 6. In recognition of the IDB's role in the region, the IDB should work with other international financial institutions, international lenders and borrowing countries to address the question of "free riding" by lenders to countries who have received debt relief. This should include, among other activities, sharing of information on lending and borrowing volumes and patterns, advice and consultation with borrowing governments, and the discussion of potential ways to coordinate activities.
 7. As part of the annual country strategy update starting in year 2009, Management will provide information on the impact of debt relief on the objectives of a country's national poverty reduction strategies.

(Adopted on 15 March 2007)