

## RESOLUTION AG-09/06

### Agreement on Concessional Resources of the Bank

WHEREAS pursuant to the request of the Board of Governors of the Inter-American Development Bank (the “Bank”), the Committee of the Board of Governors of the Bank (the “Committee”) has studied the possibility of providing further debt relief to certain borrowing member countries concerning the Fund for Special Operations (the “FSO”);

WHEREAS the Committee affirms its support for the forgiveness of debt owed by the poorest countries of Latin America and the Caribbean to the FSO, specifically, Bolivia, Guyana, Haiti, Honduras and Nicaragua;

WHEREAS the Committee met on November 17, 2006, and discussed debt relief and the permanency of the concessional window of the Bank, agreed upon a program for concessional resources, and recommended that this agreement be submitted to the Board of Governors for approval;

The Board of Governors

#### RESOLVES THAT:

1. A structure that contains the following main features is the basis for debt relief:
  - a) The Bank shall provide for 100% relief of eligible FSO debt for Bolivia, Guyana, Haiti, Honduras and Nicaragua, effective January 1, 2007.
  - b) FSO countries (other than Haiti) will continue to have access to concessional resources via a blending of loans from the FSO and Ordinary Capital (the “OC”) (“parallel loans”).
  - c) Haiti will have access to an appropriate mix of loans and/or grants with adequate levels of concessionality.
  - d) The Intermediate Financing Facility (the “IFF”) shall be extended to 2015 via a blending of FSO resources and OC loans (“parallel loans”).
  - e) Annual nonreimbursable technical assistance shall be provided in the amount of \$30 million.

- f) No additional internal (OC) or external (Donor) resources will be required to provide debt relief under the structure herein.

2. The Governors remain committed to the financial sustainability of the FSO. No later than 2013, Management will assess for Governors' consideration the need for additional resources for the FSO through a future replenishment, given the conditions at that time. Such an assessment will be initiated after taking into account all of the variables that determine financial sustainability, including, but not limited to, country macroeconomic conditions and debt sustainability assessments, the number of countries eligible for concessional assistance and their projected needs, and liquidity requirements and disbursement profiles of the FSO.

3. The Governors shall resolve a number of issues for implementation of this structure no later than the 2007 Bank Annual Meeting of the Board of Governors in Guatemala. No later than January 2007, the Governors shall be presented, for consideration, information on such issues as:

- a) Appropriate considerations for the timing of the debt relief to address concerns about debt sustainability and moral hazard;
- b) The cutoff date for the stock of debt eligible for cancellation (including the treatment of undisbursed balances);
- c) Providing an optimal mix of loan and grant resources to Haiti in the medium term;
- d) Consideration of the gross versus net allocation to FSO countries post debt reduction;
- e) Development of a framework for assessing the debt sustainability of FSO and IFF countries, consistent with the World Bank/IMF methodology;
- f) Consideration of measures to strengthen the FSO and IFF performance-based allocation systems.

(Approved on 21 December 2006)