

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION AG-9/16

Proposal for Sustaining Concessional Assistance  
by Optimizing the IDB's Balance Sheets

WHEREAS:

Pursuant to Resolution AG-9/06 of December 21, 2006, the Board of Governors established that Fund for Special Operations (FSO) countries (other than Haiti) will continue to have access to concessional resources via blending of loans from the FSO and Ordinary Capital (OC) ("Parallel Loans");

Pursuant to document AB-2764, entitled "Report on the Ninth General Increase in the Resources of the Inter-American Development Bank", the Bank has reaffirmed its commitment to continue extending concessional financing to borrowing members with acute development challenges;

The demand for concessional resources for 2017-2040 would substantially exceed the FSO's lending capacity and it is imperative that the Inter-American Development Bank (the "Bank" and/or "IDB") develop financial structures and mechanisms to make concessional assistance to its poorest and most vulnerable member countries sustainable;

During the "Fifty-seventh Annual Meeting of the Board of Governors of the Inter-American Development Bank and the Thirty-first Annual Meeting of the Board of Governors of the Inter-American Investment Corporation. Nassau, Bahamas", the Board of Governors considered document AB-3066, entitled "Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets", which addressed options to make the Bank's concessional assistance to its poorest and most vulnerable member countries sustainable and, the Board of Governors instructed Management to develop a proposal for its consideration and approval;

The Board of Executive Directors has considered document GN-2846-7, entitled "Proposal for Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets" and, pursuant to Resolution DE-42/16, agreed to submit for consideration of the Board of Governors this proposed resolution;

The Board of Governors

RESOLVES:

1. To authorize the transfer of the assets and liabilities, including all receivables from and payable to member countries, of the Fund for Special Operations (FSO) into the Ordinary Capital (OC) resources of the Bank, effective January 1, 2017.

2. To replace the blending of loans from the FSO and the OC as established in Resolution AG-9/06 ("Agreement on Concessional Resources of the Bank") of December 21, 2006, by the blending of loans from the OC resources in the following manner: the portion of the blended loans financed with FSO resources will be replaced by and financed with resources from the OC subject to concessional financial terms and conditions ("Concessional OC"), and the other portion of the blended loans will be financed with resources from the OC subject to the same financial terms and conditions applicable to Sovereign Guaranteed (SG) individual loan operations financed from the Bank's regular program of OC resources ("Regular OC"). The blending of loans with Concessional OC and Regular OC resources will constitute the "Parallel Loans" and the financial terms and conditions applicable to said loans will be determined and approved by the Board of Executive Directors.

3. To mandate that the allocation of resources for concessional financing shall be carried out in accordance with the methodology provided for in document GN-2442, entitled "Implementation of multilateral debt relief and concessional finance reform at the IDB. Proposal for the implementation of a Debt Sustainability (DSF) and Enhanced Performance-Based Allocation (PBA) framework", approved by the Board of Executive Directors on February 21, 2007, and that the total amount of Concessional OC resources to be allocated in any biennial allocation exercise will be determined as a proportion of the amount of resources projected for SG loan operations to be financed from the Bank's regular OC program as determined by the Long-Term Financial Projections (LTFP).

4. That the eligibility to receive concessional financing in the form described in paragraph 2 of this Resolution shall be limited to those small and vulnerable borrowing member countries that are determined to be eligible in accordance with the following criteria: (a) a per capita income threshold; and (b) a Synthetic Creditworthiness Indicator (SCI) method (hereinafter referred to as "creditworthiness"). These criteria shall be applied pursuant to the provisions set forth in section III.C.3 and Annex VI of document AB-3066-2. The above-mentioned per capita income threshold may be updated by the Board of Executive Directors, as needed, in order to reflect inflation. The SCI methodology may also be amended by the Board of Executive Directors.

5. That once a country has been determined to be eligible for concessional financing in accordance with paragraph 4 above, such country shall no longer be eligible if the country has: (a) a per capita income above the threshold referred to in paragraph 4 above for a minimum period of two consecutive years from the date the threshold has been surpassed; and (b) an assessment concluding that the country is creditworthy in accordance with the SCI methodology referred to in paragraph 4 of this Resolution.

6. That with reference to document AB-3044 "Amendment and Restatement of the Income Management Model", approved pursuant to Resolution AG-12/15 of October 7, 2015: (a) the provisions of paragraph 4.10(i) therein shall not be applied to the "Concessional OC" portion of any Parallel Loans, but such provisions shall apply only to the "Regular OC" portion of any

such Parallel Loans; and (b) paragraph 5.2(b), shall read as follows “The OC shall pay 100% of the Bank’s total administrative expenses.”

7. To mandate that any references contained in Bank’s policies, regulations, lending instruments and procedures to the “Fund for Special Operations”, “FSO”, “FSO Countries”, and/or “Countries of the Fund for Special Operations” should be understood as references to “Concessional OC”, as applicable, and that the provisions contained in document AB-3066-2, entitled “Proposal for Sustaining Concessional Assistance by Optimizing the IDB’s Balance Sheets” will supersede, to the extent applicable, all prior inconsistent regulations, policies and procedures.

8. That the Board of Executive Directors and Management are hereby directed and authorized to take all necessary measures to implement the recommendations set forth in section IV of document AB-3066-2.

(Adopted on September 1, 2016)