



Chair's Summary of Meeting of the Board of Directors

7 March 2008

R-Paper on Policy for Providing Heavily Indebted Poor Countries Relief from Asian Development Fund Debt and Proposed Debt Relief to Afghanistan

1. The Board discussed and unanimously approved the proposals to provide the legal framework for ADB's participation in the Heavily Indebted Poor Countries (HIPC) initiative for Asian Development Fund (ADF) loans and its application to Afghanistan.
2. Many Directors supported the proposal to discuss the financing of foregone principal and interest from debt relief in the context of the ADF replenishment discussion, given the relatively small amount of expected lost resources. While many agreed that the cost within the ADF IX and ADF X periods did not require explicit earmarking of the financing of lost reflows, some emphasized that this should be reviewed in future replenishment discussions. Different views were expressed regarding whether the cost should be covered by additional donor contributions or ADB internal resources.
3. A few Directors raised the issue of countries accumulating nonconcessional debt after receiving debt relief, and they urged ADB to collaborate with World Bank and the International Monetary Fund to ensure that relief leads to long-term debt sustainability.
4. A few Directors mentioned that at a later stage it would be necessary to discuss ADB's participation in the Multilateral Debt Relief Initiative and debt relief for OCR loans to harmonize ADB's debt relief policy with that of the World Bank. Some Directors cautioned that the negative impact of any new debt relief initiatives on financial sustainability of ADB should be fully considered.
5. One chair noted Afghanistan's responsibility to reciprocate HIPC debt relief by implementing those reforms that will put its economy on a more sustainable growth path.