



Chair's Summary of Meeting of the Board of Directors

19 November 2019

Diversification of Financing Terms for Regular Ordinary Capital Resources Sovereign Lending Operations under Strategy 2030

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Asian Development Bank

1. The Board of Directors approved the proposed diversification of the financing terms of the Asian Development Bank (ADB) as described in para. 44 of the R113-19 paper entitled Diversification of Financing Terms for Regular Ordinary Capital Resources Sovereign Lending Operations under Strategy 2030. Based on the statements given during the meeting, 51 members accounting for 82.017% of the vote supported the proposal, while 17 members accounting for 17.983% abstained.

2. In his opening statement, the Chair highlighted that the situation in Asia and Pacific region is now different compared to 1966, when ADB was established. Most ADB developing member countries are currently middle-income countries. More generally, it is important to think of the respective roles of the ADB borrowers, ADB shareholders, and Asian Development Fund (ADF) donors and the fair sharing of burden among them. The proposal to diversify financing terms for regular OCR-only lending operations is one way to address this issue. This diversification follows a set of initiatives, which includes the transfer of ADF lending operations to the OCR balance sheet in January 2017—a major milestone to achieving ADB's mandate in a more efficient way. The Chair mentioned that the diversification of financing terms will be effective in 2021.

3. The Directors appreciated the highly consultative process and commended the Management for its responsiveness and flexibility in developing the proposal. The Directors recognized the rationale behind this balanced proposal, while some of them expressed that some concerns were not fully addressed, including a more comprehensive analysis of alternative pricing options, the inclusion of poverty indicators, treatment of situations such as countries transitioning from group B to group C that have lost access to concessional loans, and higher pricing levels.

4. The Directors recognized the diversification of financing terms as a measure to ensure all shareholders collectively contribute to the fulfillment of ADB's mandate. Several Directors also emphasized the importance of a strong replenishment of ADF13. Several Directors highlighted that the diversification of financing terms can be considered as a second phase of the ADF–OCR merger to reflect diversified situations among DMCs and strengthen ADB's financial sustainability. They also called for a continuation of the periodic review of loan charges.

5. Many Directors emphasized that this diversification of financing terms is part of a comprehensive set of reforms, which were started earlier. These reforms will continue in order to improve ADB efficiency by optimizing the business processes to respond to the region's complex needs. Many Directors acknowledged that, with this new pricing, ADB will remain competitive with other multilateral development banks.

6. The Directors welcomed the utilization of additional net income resulting from diversified pricing for strengthening knowledge solutions that includes policy advice, institution building, and knowledge-sharing among DMCs, including fragile and conflict-affected situations, small islands developing states, and upper middle-income countries; and for building reserves to strengthen ADB's lending capacity in the long-term. The Management will provide regular update on the utilization of the additional net income.

7. The director general of the Strategy, Policy and Partnerships Department expressed that ADB will strengthen its non-pricing value addition. Efforts to maximize the value provided to DMCs will continue through the use of a knowledge platform; net income transfers to support knowledge solutions; innovative and customized financial solutions; and ADB's institutional reforms, among others. Additional details on how poverty is currently considered in country programming were also provided. The Treasurer indicated that the long-term financial sustainability of ADB will be further discussed with the Board of Directors in the context of the review of the Capital Adequacy Framework, which proposes the use of the capital utilization ratio for long-term financial planning.