

## IDB Decides Whether to Contribute to Debt Cancellation Until December 21

In the last IDB meeting held in Washington in November, progress was made towards defining debt cancellation in favor of the poor and indebted countries in the Latin American region. This was expressed in a resolution to be approved by the favorable vote of IDB Governors until December 21, 2006.

The amount to be relieved also remains to be defined, depending on the cut-off date until which loans granted would be cancelled. The options being considered within the IDB would be December 2003 or December 2004.

Notwithstanding the fact that none of them complies with the total cancellation scheme within the framework of the initiative proposed by the world's eighth richest countries (G8), the cancellation option as of December 2004 would represent the least unfortunate scenario between the two alternatives.

As it can be noticed in the following table, debt relief for Bolivia, in the best case scenario, would amount to 68% of its debt to the IDB.

Relief according to cut-off dates and Percentage with regards to total amount owed to the IDB  
(In million USD and Percentages)

Cut-off dates	Bolivia		Guyana		Haiti		Honduras		Nicaragua	
	USD	% debt <sup>1/</sup>	USD	% debt <sup>1/</sup>	USD	% debt <sup>1/</sup>	USD	% debt <sup>1/</sup>	USD	% debt <sup>1/</sup>
2001	253	22%	153	37%	228	41%	582	47%	401	43%
2003	380	34%	249	61%	333	60%	717	58%	505	54%
2004	768	68%	365	89%	468	84%	1100	89%	808	87%

<sup>1/</sup> Total debt to the IDB by the Fund for Special Operations and Ordinary Capital, after the HIPC Initiative

Source: Own elaboration based on IDB data.

Another issue to be discussed and decided upon is the definition of the *eligible debt*. That is to say, apart from the impact of the cut-off date on the amount to be relieved, the latter will also be affected by the IDB proposal with regards to the discrimination between credits that could be benefitting from debt cancellation.

Said proposal, defined in the paper drawn up by the IDB for the November meeting, consists in selecting those credits that had been one hundred per cent disbursed by the cut-off date to be specified, so that those credits that had included disbursements after the cut-off date to be defined, no matter how minimum the remaining disbursement, would not be included as part of the *eligible debt*.

The IDB, in its November 2006 paper, argues that this is due to *operative advantages* and has been defined so as to *avoid practical problems*; therefore, it proposes that it would be easier to consider this hypothesis in the definition of debt eligible for cancellation.

From the point of view of our organizations, debt relief should amount to 100% of outstanding debts at the cut-off date, without discriminating between completely and not completely disbursed credits, since this reduces the amount to be relieved and finally, turns into another way to weaken the impact of this initiative.

There is indeed support to achieve the highest possible debt cancellation for these countries. The Presidents attending the South American Summit of Nations in Cochabamba, drew up a petition addressed to IDB Governors to support this cancellation.

On the other hand, a group of US congressmen has requested the IDB President to make this decision in favor of the five countries – Bolivia, Guyana, Haiti, Honduras and Nicaragua – and thus avoid further deferring its implementation. It has also requested that credits aimed at middle-income countries should not be affected.

Finally, since debt cancellation will not be defined until December 21, we urge IDB Governors to make their approval effective.

Following the initiatives undertaken by civil society organizations engaged with actions that would help to improve the situation of indebtedness and with policies promoting poverty reduction, it will be important to continue advocating for this cancellation by means of future joint actions towards the next IDB meeting to be held on January 23 and 24 in Amsterdam, for the purpose of defining debt relief modalities.

*December 20, 2006*