



IDB approves partial debt cancellation for five countries of the region

At the meeting held on November 17 in Washington, the Committee of Governors of the Inter-American Development Bank (IDB) reached an agreement to partially cancel the debt owed by Bolivia, Guyana, Nicaragua, Honduras and Haiti.

The amount to be relieved is still under analysis; however, none of the proposals addresses the commitment undertaken by the group of the world's eight richest nations (G8) to cancel 100 per cent of debts, as a contribution to enable the poorest and most indebted countries to achieve the Millennium Development Goals, mainly related to poverty reduction.

Within the IDB, two alternatives are being analyzed based on the cutting-off date: December 2003 or December 2004. The closer the date, the higher the relief to be granted; therefore, and in view of this partial cancellation, the IDB should make the second alternative feasible.

Thus, the amount for the five countries would reach approximately \$3.5 billion, of which \$768 million would be cancelling the debt owed by Bolivia, \$365 million by Guyana, \$468 million by Haiti, \$1.1 billion by Honduras and \$808 million by Nicaragua.

In the case of Bolivia and Nicaragua, this cancellation would account for about 50 per cent of the total amount owed to the institution; therefore, the IDB's decision represents an inferior amount to the one expected within the framework of the Multilateral Debt Relief Initiative (MDRI).

The members of the Committee decided to put-off a resolution with regards to the amount to be cancelled until January next year, at a meeting to be held in the Netherlands. This will be a key instance since the impact of the alternative to be chosen will imply a difference of hundreds of million of dollars for the five countries. This will also evidence the IDB's level of commitment to join the spirit that gave rise to the MDRI.

Likewise, at this meeting, the governors committed themselves to maintain the Fund for Special Operations (FSO) active - the window that grants long-term loans with low interest rates. However, they are expected to make the replenishment of this concessional window viable, without affecting the access to future credits.

Beneficiary countries expected the IDB to deliver this cancellation by the end of 2006. However, the alternative to be defined by the Committee in January 2007 will be

submitted to the IDB's Annual Meeting of the Board of Governors for final approval in March of the same year.

This delay in decision making brings costs for the highly indebted poor countries that continue to pay for high debt service.

Although the cancellation does not solve the economic problems of poor countries, those resources released will cooperate with efforts being made to reach the Millennium Development Goals.

Civil society organizations engaged in the search for solutions to the excessive debt burden will continue to demand a coherent decision-making from international financial institutions, thus conforming to their promises to contribute to the development of countries that are scourged by poverty.

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