

AFTER IDB DEBT CANCELLATION THE CHALLENGE LIES IN RESPONSIBLE INDEBTEDNESS

The Inter-American Development Bank (IDB), has finally made the decision to cancel debts owed by Bolivia, Guyana, Haiti, Honduras and Nicaragua. In the case of Bolivia this accounts for \$736 million of the total debt outstanding at December 2004, which also represents the relief of interest accrued in the amount of \$307 million.

For Bolivia, this cancellation would imply annual debt payment savings amounting to \$27 million until 2010 and \$23 million as of 2011.

Total External debt (in US dollars)

Outstanding debt 1985	3.29 billion
Outstanding debt 2003	5.04 billion
Outstanding debt 2006	3.24 billion
IDB cancellation	736 million
January 2007	2.5 billion

IDB Cancellation (in US dollars)

Total cancellation	1.04 billion
Cancellation of principal	736 million
Cancellation of interests	307 million

Outstanding deb to IDB (in US dollars)

IDB outstanding debt 2006	1.62 billion
New IDB outstanding debt	885 million

With regards to the impact of this decision, concerns have been raised about the IDB proposal to grant combined loans between the Fund for Special Operations (which offers long-term and low-interest loans), and the Ordinary Capital window (which is known for offering more expensive loans) in the future. As a result of this, new debt service costs would be increased.

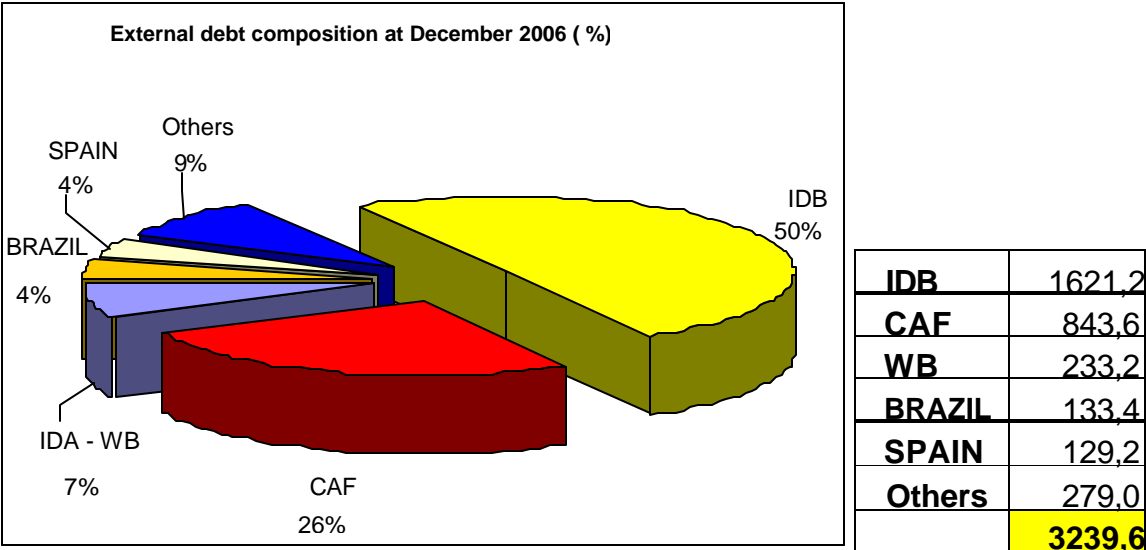
Notwithstanding the fact that debt indicators will be improved, there should be no reason to take on new expensive loans that may drive the country to levels of over-indebtedness.

We call upon creditor institutions to ensure a responsible indebtedness in the future, without impositions and under soft financial conditions; but we also urge the government to use resources effectively, according to the real needs of the country, with a view to giving priority to sustainable human development.

The IDB decision in favour of debt cancellation has also been promoted by the **Justice for Latin America Campaign**, with the solidary and active participation of national and international networks working in the promotion of de-indebtedness and poverty reduction policies.

La Paz, January 23, 2007

External debt at December 2006 (million US dollars):



After the IDB cancellation, the outstanding debt (in million US dollars) would be the following:

