



## **Did the G-8 Cancel the Debt?** **Myths and Realities about International Debt after the G-8 Deal** Issue Brief - April 2006

**D**ebt is not done. The deal reached by world leaders last summer was an important step for the global Jubilee campaign, and resources freed up in the 18 beneficiary countries are already being put towards education, health, and other desperately needed social services. But the debt crisis is far from over.

### **Myths**

#### **1. The G-8 debt deal cancelled 100% of the debt for the eligible countries.**

*The Reality:* While the G-8 debt deal provides 100% debt cancellation for the 18 nations' debts to the International Monetary Fund (IMF), World Bank, and African Development Fund, it does not fully cancel these nations' debts – only the debts to these three creditors. Some bilateral donors, and multilateral banks like the Inter-American Development Bank and the Asian Development Bank were left behind. In the case of the IDB, 32 percent of Bolivia's debt is to the IDB and they will pay this Bank almost \$100 million this year.

#### **2. 38 Countries will see their debts cancelled from the G-8 deal.**

*The Reality:* While up to 40 countries are now part of the World Bank/IMF Heavily Indebted Poor Country (HIPC) Initiative, only 18 nations will see their debts cancelled by July 2006, a full year after the 2005 G-8 summit. Other countries are tied up in the strings of IMF/World Bank conditionality, such as mandated privatization of water and electricity. Some will have to wait years; Haiti, a new addition to HIPC and the most impoverished country in the Western hemisphere, will have to wait until 2009 to see debt cancellation.

### **Realities**

#### **1. Debt Relief Works.**

Debt relief now has a 10-year track record and there is no evidence it has fueled corruption. According to the IMF, before the HIPC Initiative eligible countries spent on average slightly more on debt service than on health and education combined. Now, debt in the 28 countries for which relief has been approved has declined by an average of two-thirds, while their expenditures on health, education, and other social services have risen to almost four times the amount of debt service payments. Debt relief has delivered results: In Tanzania, debt cancellation allowed the nation to increase education spending and eliminate school fees for elementary school education.

#### **2. 9 out of 10 people in the developing world will see no benefit from the G-8 debt deal.**

Only 1 in 10 people will benefit from the G-8 deal because so many nations – both low- and middle-income – are left out of the deal. Countries like Kenya, Indonesia, Peru, and Sri Lanka are just a few nations with large impoverished populations and high debt levels left behind by the G-8. The US supported cancellation of the unjust and odious debt of Iraq and should be consistent and support cancellation of odious and illegitimate debts in other countries as well.

### **What is Needed? A True Jubilee Cancellation of Crushing Debt**

Millions across the globe remained locked in poverty and suffer under a crushing and unjust burden of unfair debt. Beyond those in the G-8 deal, there are more than 40 other impoverished nations that require total debt cancellation to reach the Millennium Development Goals, and dozens more nations require cancellation of debts which are clearly odious and/or illegitimate. Harmful economic conditions must be removed so that countries can see the benefits from cancellation, while assuring accountability and transparency through empowering civil society.