

Multilateral Debt Relief Initiative MDRI Fact Sheet

Overview:

- On July 1, 2006, the Multilateral Debt Relief Initiative (MDRI), which will cancel the International Development Association (IDA) debt of some of the world's poorest countries, will take effect.
- Under the MDRI, IDA is expected to provide about US\$37 billion in debt relief over 40 years. This is in addition to approximately US\$17 billion of debt relief already committed by IDA under the [Enhanced Heavily Indebted Poor Countries \(HIPC\) Initiative](#).
- The MDRI was launched at the July 2005 G8 Summit in Gleneagles, Scotland, where G8 leaders pledged to cancel the debt of the world's most indebted poor countries, most of which are located in Africa. Their proposal required full debt cancellation by the International Development Association (IDA), the International Monetary Fund (IMF) and the African Development Fund (AfDF) to countries that have completed the HIPC Initiative.
- The MDRI provides irrevocable, upfront debt stock cancellation. The objective is to provide additional support to Heavily Indebted Poor Countries (HIPCs) to reach the Millennium Development Goals (MDGs), while preserving the financing capacity of the International Financial Institutions.

Eligible Countries:

- As stipulated by the G8, countries that have “graduated” from the HIPC Initiative (called reaching the “completion point.”) are eligible for additional debt relief under the MDRI.
- Initially, 19 countries are expected to receive 100 percent cancellation of their eligible debt: Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia.
- The remaining HIPC countries (see [HIPC Web Site](#)) will be eligible for debt cancellation once they have completed the requirements of the HIPC Initiative.
- There is no new conditionality, but “once-off” assessments were conducted for the 19 HIPCs that have already reached completion point to determine whether there had been any deterioration in performance since reaching the completion point. Initially, Mauritania did not meet the eligibility requirements, but has since taken steps to improve its public finance management. Mauritania's participation was reconfirmed by the IDA Board on June 27.

Costs/Financing:

- The full costs to IDA, the IMF, and AfDF for the MDRI stand at around US\$50 billion. Of this, the total cost to IDA is estimated at US\$37 billion over 40 years, equivalent to one quarter of IDA's total resources. In addition, IDA has already committed to providing about US\$17 billion of debt relief under the Enhanced HIPC Initiative.
- In March 2006, IDA donors agreed to a financing package that calls for additional donor contributions over time to compensate IDA "dollar-for-dollar" for the debt relief provided. Donors have committed to ensuring that IDA's financial capacity is preserved so that additional resources will be available to support the development efforts of poor countries.
- To date, donor contributions in the form of written financing commitments have received, accounting for more than half of total estimated MDRI costs of IDA. Donor payments will occur over 40 years, mirroring the time profile of IDA's forgone credit reflows.
- On the basis of the financing progress made by donors, the IDA Board approved that IDA start implementing the MDRI as of July 1, 2006, in line with the original schedule established by the donors.

Related Links:

[World Bank Approves US\\$37 Billion for Multilateral Debt Relief Initiative](#) - March 28, 2006 (Press Release)

[List of Heavily Indebted Poor Countries](#) (reflects their status in the program)

[MDRI financing and implementation paper](#) – March 28, 2006

[Note on the G8 Debt Relief Proposal](#) – Sept. 25, 2005

Estimated Debt Relief Provided by IDA under HIPC and MDRI

for 19 HIPC Completion Point Countries

in \$ million, as of July 1, 2006

of which:

COUNTRY	Total Debt Relief by IDA (\$ million)	HIPC Relief (\$ million)	Estimated MDRI Relief (\$ million)
BENIN	814	124	690
BOLIVIA	1,804	287	1,517
BURKINA FASO	1,154	420	734
CAMEROON	1,133	266	867
ETHIOPIA	3,616	1,278	2,337
GHANA	4,429	1,446	2,983
GUYANA	322	133	189
HONDURAS	1,293	108	1,185
MADAGASCAR	2,213	444	1,768
MALI	1,553	292	1,262
MAURITANIA	721	173	548
MOZAMBIQUE	2,361	1,055	1,306
NICARAGUA	1,148	383	765
NIGER	1,156	409	748
RWANDA	1,056	709	347
SENEGAL	2,018	164	1,854
TANZANIA	3,961	1,157	2,804
UGANDA	3,764	984	2,780
<u>ZAMBIA</u>	<u>2,760</u>	<u>885</u>	<u>1,875</u>
Total	37,276	10,715	26,560