INTERNATIONAL MONETARY FUND
FACTSHEET

"This factsheet is no longer being updated. There is no longer any outstanding MDRI-eligible debt to the Fund and, therefore, the MDRI-Trusts were terminated 2015 with the balances transferred to the CCR Trust."

The Multilateral Debt Relief Initiative

The Multilateral Debt Relief Initiative (MDRI) provided for 100 percent relief on eligible debt from three multilateral institutions to a group of low-income countries. The initiative aimed to help eligible countries advance toward the United Nations' Millennium Development Goals (MDGs) focused on halving poverty by 2015. As there is no longer any MDRI-eligible debt to the IMF, staff initiated the process of liquidating the MDRI Trusts.

Debt relief to help fight poverty

In June 2005, the Group of 8 (G-8) major industrial countries proposed that three multilateral institutions—the IMF, the International Development Association (IDA) of the World Bank, and the African Development Fund (AfDF)—cancel 100 percent of their debt claims on countries that had reached, or would eventually reach, the completion point—the stage at which a country becomes eligible for full and irrevocable debt relief—under the joint IMF-World Bank enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).

The HIPC Initiative entailed coordinated action by multilateral organizations and governments to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. The MDRI went further by providing full debt relief to free up additional resources to help these countries reach the MDGs. Unlike the HIPC Initiative, the MDRI did not propose any parallel debt relief on the part of official bilateral or private creditors, or of multilateral institutions beyond the IMF, IDA, and the AfDF. However, in early 2007, the Inter-American Development Bank also decided to provide similar debt relief to the five HIPCs in the Western Hemisphere.

Track record in fighting poverty

All countries that reached the completion point under the enhanced HIPC Initiative, and those with per capita income below $380 and outstanding debt to the Fund at end-2004, were eligible for the MDRI. To qualify for debt relief, the IMF Executive Board also required that these countries be current on their obligations to the IMF and demonstrate satisfactory performance in

- macroeconomic policies
- implementation of a poverty reduction strategy
- public expenditure management.

See Table 1 for a list of eligible countries. The table also lists the 35 HIPCs and 2 non-HIPCs that already received MDRI relief.

IMF finances debt relief

Although the MDRI was an initiative common to several international financial institutions, the decision to grant debt relief was ultimately the separate responsibility of each institution, and the approach to coverage and implementation varied.

In deciding to implement the MDRI, the IMF Executive Board modified the original G-8 proposal to fit the requirement, specific to the IMF, that the use of the IMF's resources be consistent with the principle of uniformity of treatment. Thus, it was agreed that all countries with per capita income of $380 a year or less (whether HIPCs or not) would receive MDRI debt relief financed by the IMF's own resources through the MDRI-I Trust. HIPCs with per capita income above that threshold would receive MDRI relief from bilateral contributions administered by the IMF through the MDRI-II Trust.

MDRI relief covered the full stock of debt owed to the IMF at end-2004 that remained outstanding at the time the country qualified for such relief. There was no provision for relief of debt disbursed after January 1, 2005.

Billions in relief delivered to countries

The total amount of MDRI debt relief delivered by the IMF is estimated at about $3.4 billion in nominal terms. In addition, the IMF delivered to Liberia beyond-HIPC debt relief amounting to $172 million on June 30, 2010.

Additional financing will be needed to cover the cost of the HIPC Initiative and any beyond-HIPC debt relief when eligible countries with protracted arrears to the IMF are ready to embark on the HIPC Initiative. In this context, the G-8 committed that donors will provide the extra resources necessary for full debt relief for these countries.

The G-8 has committed to ensure that the debt forgiveness under the MDRI neither undermines the ability of the three multilateral institutions to continue to provide financial support to low-income countries, nor the institutions overall financial integrity.

Follow-up and monitoring

The IMF and the World Bank had been cooperating closely in the implementation and monitoring of the MDRI, particularly when assessing qualification for MDRI relief and monitoring MDG-related spending after debt relief had been provided. The first progress report on the IMF's implementation of the MDRI was presented to the IMF Board in April 2006. Given that most HIPCs have reached the completion point, in November 2011, the IMF and IDA Boards endorsed staff's proposal to further streamline reporting of progress under the HIPC Initiative and MDRI. It was agreed that the annual HIPC Initiative/MDRI status of implementation report will be discontinued, while the core information—on debt service and poverty reducing expenditure, the cost of debt relief, creditor participation rates, and litigation against HIPCs—should continue to be made available and updated regularly on the IMF and World Bank websites.

Liquidation of the MDRI Trusts

There is no longer any MDRI-eligible debt to the Fund. Accordingly, on February 4, 2015, the IMF Executive Board approved decisions to liquidate the MDRI-I Trust and amend the liquidation rule of the MDRI-II Trust Instrument for the benefit of the CCR Trust.[1] The Executive Board authorized the transfer of the remaining balances available in the MDRI-I Trust (SDR 13.2 million) to the Catastrophe Containment and Relief (CCR) Trust. The

[1] Also on February 4, 2015, the Executive Board approved the transformation of the Post-Catastrophe Debt Relief (PCDR) Trust into the CCR Trust to enable the Fund to provide exceptional assistance to its poorest members hit by major public health disasters that could spread rapidly across borders.

amendment to the liquidation provision of the MDRI-II Trust Instrument allows for the transfer of any remaining balances in the Trust (SDR 38.9 million) to the CCR Trust and will come into effect following the receipt of consents from all bilateral contributors to the MDRI-II Trust.

Table 1. Country Coverage of the MDRI

	Eligible under the "MDRI-I Trust" (per-capita income at or below $380)	**Eligible under the "MDRI-II Trust" (per-capita income above $380)**
Countries that have benefited from MDRI		
"Completion point" HIPCs: 35 countries that have reached the completion point under the Enhanced HIPC Initiative	Afghanistan, Burkina Faso, Burundi, Central African Republic, Democratic Republic of Congo, Ethiopia, The Gambia, Ghana, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Tanzania, Togo , Uganda	Benin, Bolivia, Cameroon, Comoros, Republic of Congo, Côte d'Ivoire, Guinea, Guyana, Haiti, Honduras, Mauritania, Nicaragua, Senegal, Zambia
Non-HIPC countries (2) with per capita income below $380 and outstanding debt to the IMF	Cambodia, Tajikistan	
Countries potentially eligible conditional on the completion point under the Enhanced HIPC Initiative		
Chad: At the time of its HIPC completion point Chad no longer held MDRI-eligible debt and therefore did not qualify for MDRI assistance from the IMF.		
Three additional countries – Eritrea, Somalia and Sudan - could eventually be considered for HIPC debt relief, but these do not have any MDRI-eligible debt. Eritrea does not have any outstanding obligations to the IMF. Somalia and Sudan have protracted arrears to the Fund and would not have any MDRI-eligible debt following the clearance of their arrears.		
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