WASHINGTON, March 28, 2006 - The World Bank's Board of Executive Directors today approved financing and implementation details for the World Bank's contribution toward the Multilateral Debt Relief Initiative (MDRI), which will cancel the IDA debt of some of the world's poorest countries starting on July 1, 2006, at the start of the Bank's new fiscal year. IDA is expected to provide more than US$37 billion in debt relief over 40 years.

“This is a historic agreement combining increased financing with debt relief, which will help poor countries meet the Millennium Development Goals” said Paul Wolfowitz, President of the World Bank. “I am particularly pleased that the Bank's shareholders have agreed on a funding package that will help to preserve the International Development Association’s role as a cornerstone in development finance for the poor countries of the world.”

The IDA Board of Governors is now expected to consider and vote on a resolution of approval, which Wolfowitz urged occur quickly to assure debt cancellation can be implemented over the summer.

At the July 2005 G8 Summit in Gleneagles, Scotland, G8 leaders pledged to cancel the debt of the world's most indebted countries, most of which are located in Africa. Debt cancellation will be provided by the International Development Association IDA of the World Bank, the International Monetary Fund and the African Development Fund to countries that have graduated (called reaching the “completion point”) from the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

Initially, 17 HIPC countries will be eligible for 100 percent debt cancellation: Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia. Mauritania has completed the HIPC program, but will qualify for relief after implementing key public expenditure management reforms. The remaining HIPC countries (see HIPC Web Site) will be eligible for debt cancellation once they have completed the requirements of the HIPC Initiative.

Donors have agreed to a financing package that calls for additional donor contributions over time to ensure delivery of fresh resources for poverty reduction. Compensatory financing over the duration of the cancelled loans will be based on strong indicative pledges already made, and donors are undertaking the necessary steps in their home countries to provide their financing commitments.

“IDA deputies have agreed to financing that exceeds the threshold we initially set for funding debt relief,” continued Wolfowitz. “The deal reflects what has been under discussion all along: that there will be firmer commitments for most countries over the near term and more qualified long-term commitments, especially for the last 30 years. The long-term commitments simply reflect the reality of parliamentary and legislative procedures in most countries.”