The Multilateral Debt Relief Initiative

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. The aim of this Multilateral Debt Relief Initiative was to reduce further the debt of HIPCs and provide additional resource to help them reach the Millennium Development Goals.

The MDRI is separate from the HIPC Initiative but linked to it operationally. Under the MDRI, three multilateral institutions — the World Bank's International Development Association, the International Monetary Fund, and the African Development Fund — provide 100 percent debt relief on eligible debts to countries having reached the HIPC completion point. Unlike the HIPC Initiative, the MDRI is not comprehensive in its creditor coverage. It does not involve participation of official bilateral or commercial creditors, or of multilateral institutions other than the above-mentioned three. The IMF also provided MDRI debt relief to non-HIPCs whose income per capita is below US$380 in order to ensure uniformity of treatment in the use of IMF resources.

Statement by Paulo Nogueira Batista, Executive Director for Haiti and Renato Perez, Senior Advisor to Executive Director June 29, 2009

On behalf of our authorities, we would like to thank staff for the constructive dialogue during the mission to Port-au-Prince in May 2009. This mission was particularly important, as it comprised the fifth review under the PRGF and the completion point under the Enhanced HIPC initiative and the MDRI. The Haitian government has remained strongly committed to the PRGF and the HIPC Initiative, despite the severe shocks that the country has suffered in the recent past.

The progress achieved by the authorities has been significant and is in line with the PRSP. The maintenance of macroeconomic stability and the improvements in economic governance and social sector policies are noteworthy. Headline inflation is close to zero, partly reflecting the fall in international commodity prices. Core inflation is also down. Economic growth continues, however, to be very low. For FY 2009, GDP is expected to increase only 2 percent, after having grown only 1.2 percent in FY 2008. As staff observes, this is well below what would be required to reduce high unemployment rates and widespread poverty.

Despite low growth, the fiscal accounts improved. In the first half of FY 2009, the deficit was much lower than the 4 percent estimated in the program. This was the result of more efficiency in the management of public finances, lower public expenditure, and an increase in grants by donors, although these are still insufficient. The current account deficit was also much lower than projected, as remittances proved more resilient to the global crisis than expected by staff at the time of the fourth review. The external accounts were also helped by lower import prices. Reserves increased considerably and the exchange rate has been stable. Furthermore, the financial sector remains sound and adequately capitalized with liquidity and asset quality being closely monitored, although the authorities are concerned with the high level of dollarization in the banking sector.

The program is on track. All end-March quantitative performance criteria, structural benchmarks and all but one structural performance criteria were met. The criterion that was missed (the presentation of a report on emergency spending) was implemented with a delay of only a few days.

As to the completion point under the HIPC Initiative, eleven out of fifteen triggers have been reached. Moreover, the government has made important advances towards meeting the four triggers that were not fully implemented, as staff recognizes. For instance, the recent approval by Parliament of the procurement law is a demonstration of Haiti's commitment to increasing transparency and adopting internationally accepted best practices in this area. The new law is an additional step in the effort to improve the procurement framework and to fight against corruption.