Proactive Release

Published on or before: 17/08/2026

The following Cabinet papers and related Cabinet minutes have been proactively released by the Minister of Foreign Affairs

Title	**Reference**
Report of the Cabinet Foreign Policy and National Security Committee: Period Ended 3 July 2026	CAB-26-MIN-0215
World Bank Multilateral Debt Relief Initiative: Refresh of New Zealand's Commitment	

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction codes:

- 6(a): to avoid prejudicing the international relations of the New Zealand Government.

CAB-26-MIN-0215

Cabinet

Minute of Decision

Report of the Cabinet Foreign Policy and National Security Committee: Period Ended 3 July 2026

On 6 July 2026, Cabinet made the following decisions on the work of the Cabinet Foreign Policy and National Security Committee for the period ended 3 July 2026:

Out of scope

FPS-26-MIN-0017	**World Bank Multilateral Debt Relief Initiative: Refresh of New Zealand's Commitment** Portfolio: Foreign Affairs	CONFIRMED

Out of scope

Rachel Hayward
Secretary of the Cabinet

Office of the Minister of Foreign Affairs

Chair, Cabinet Foreign Policy and National Security Committee

World Bank Multilateral Debt Relief Initiative: Refresh of New Zealand's Commitment

Proposal

1 We are seeking Cabinet approval for New Zealand's next contribution to the World Bank-administered Multilateral Debt Relief Initiative (MDRI), in line with the commitment made in 2006. The total estimated cost is NZ$24.62 million over 2026 to 2044, which would be met from existing baselines of Vote Foreign Affairs Non-Departmental Other Expenses – International Development Cooperation (Multi-Year Appropriation).

2 This paper also seeks Cabinet agreement to delegate to the Minister of Foreign Affairs approval of future recalculations of New Zealand's contribution to the MDRI, provided the cumulative value does not exceed the NZ$68.93 million commitment made at inception in 2006.

Relation to government priorities

3 This is a refresh of New Zealand's financial commitment made to the MDRI in 2006, which the World Bank requests periodically following revisions of MDRI costs. Supporting the MDRI aligns with the Government's support for multilateral development assistance, which has a scale and reach beyond what we can achieve bilaterally including in the Pacific; and support for the global rules-based order. It was designed as a mechanism to promote collective stability and global development by acting with likeminded partners and multilateral development banks (MDBs) to assist developing countries in attaining debt sustainability at a time of significant indebtedness.

Executive Summary

4 The MDRI cancels historical debt (as at 2003) owed to the concessional financing arms of MDBs by highly indebted poor countries (HIPCs), thus releasing resources for their development efforts. Donor contributions replace the lost loan repayments to ensure that debt relief does not weaken the financial positions of MDBs and their ability to provide fresh support to developing countries. The MDRI is administered by the World Bank.

5 New Zealand joined the MDRI at inception in 2006, committing to contribute NZ$68.93 million through to 2044. This amount was based on our International Development Association (IDA) (the World Bank's concessional arm) burden share at the time and equates to 0.13% of the overall cost.

6 Although New Zealand's original commitment to the MDRI was NZ$68.93 million up until 2044, in practice donor contributions are confirmed on a rolling decade-by-decade basis. The actual quantum is revised by the World Bank every three years, aligned with the IDA replenishment process. Following each review, the World Bank seeks firm (unconditional) commitments for the next decade and provisional (or estimated) commitments for the remaining period through to the end of the MDRI in 2044 – with updated commitment amounts reflecting changes in exchange rates, interest rates, and borrowing countries meeting criteria for eligibility.

7 Under the most recent IDA replenishment cycle (IDA21 running from 2025 to 2028), New Zealand's total contribution over the life of MDRI was recalculated to NZ$63.21 million. Considering New Zealand's payments made so far since 2007, it is anticipated that the remaining MDRI repayments (until 2044) will total approximately NZ$24.62 million, subject to any fluctuations with future re-estimates.

8 Accordingly, the World Bank is seeking a firm (unconditional) commitment from New Zealand of NZ$21.23 million total for the decade 2026 to 2036, and a provisional (or estimated) commitment to pay NZ$3.39 million total for the period 2037 to 2044. Payments to the MDRI are made annually.

9 Practice to date has been to seek Cabinet approval to the recalculated contributions every three years. However, considering reflows to the MDRI are projected to decline until reaching zero by 2044, and the remaining balance recalculated for New Zealand is now only NZ$24.62 million, it is recommended that Cabinet delegates approval of New Zealand's remaining contributions to the MDRI to the Minister of Foreign Affairs, as long as the cumulative value does not exceed the NZ$68.93 million commitment New Zealand made at inception.

10 The expenditure on MDRI will continue to be met from existing baselines of Vote Foreign Affairs Non-Departmental Other Expenses – International Development Cooperation (Multi-Year Appropriation).

11 The MDRI has been well implemented, it is delivering its intended impacts, and risks have been appropriately addressed by MDBs.

Background

12 The MDRI was instigated by the Group of Eight[1] (G8) large developed countries at the 2005 Gleneagles Summit. The MDRI was intended to free HIPCs meeting qualifying conditions in 2003 from the financial burden of servicing pre-existing debt, thus releasing fiscal resources to accelerate their development and poverty reduction efforts.

13 New Zealand participation in the MDRI was approved in May 2006 by the Minister of Finance and the Minister of Foreign Affairs. The MDRI became

[1] The Group of Eight (G8) were Canada, France, Germany, Italy, Japan, the United Kingdom, the United States, and Russia. It operated between 1997 and 2014. It became the G7 after Russia was expelled following the annexation of Crimea.

effective on 1 July 2006. New Zealand agreed to contribute a 0.13 percent share of its total cost,[2] equivalent to NZ$68.93 million, over 2007 to 2044. This comprised a firm, or unconditional, commitment to make annual contributions totalling NZ$14.6 million over a rolling decade from 2007 to 2016, and a commitment in principle, or provisional commitment, to contribute a further NZ$54.29 million from 2017 to 2044.

14 The MDRI is limited to the cancellation of HIPC debt owed to the concessional financing arms of MDBs as of 2003.[3] It is financed by donors, who compensate the MDB concessional funds for the interest and principal payments forgone on cancelled debt when such payments would otherwise have been due. This ensures that the MDB funds are not financially weakened by providing debt relief and thus can continue to support the poorest countries.

15 To qualify for this debt relief, countries were required to meet performance criteria as assessed by the International Monetary Fund (IMF) and World Bank. These included adopting an IMF poverty reduction and growth facility programme; evidence of satisfactory progress in implementing this programme; and having a public expenditure management system that met minimum governance and transparency standards.

16 The MDRI is administered by the World Bank. The MDBs whose members are participating in the MDRI are primarily the World Bank's concessional branch, the International Development Association (IDA), and the African Development Bank's African Development Fund.

17 At present thirty-seven countries benefit from the MDRI, of which thirty-one are in Africa, five are in South and Central America, and one (Afghanistan) in Asia.

Analysis

Cost of the MDRI

18 The total cost of the MDRI is revised every three years, each time the World Bank's IDA is replenished, and these revised costs can fluctuate. Changes in MDRI cost estimates reflect changes in exchange rates and interest rates, and updated predictions of when countries eligible for MDRI debt relief at inception will meet the qualifying criteria. Contributions from donors are adjusted to reflect the revised total cost of MDRI and the funds needed for the remaining balance through to 2044.

19 While total MDRI costs are revised every three years, in practice donor contributions are confirmed on a rolling decade-by-decade basis. Following each review, the World Bank seeks firm (unconditional) commitments for the next decade and provisional (or estimated) commitments for the remaining period through to the end of the MDRI in 2044.

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2 This share is based on agreement among donors that the cost of the MDRI be shared through applying their respective shares at the time in contributing to the World Bank's International Development Association.

3 A cut-off year of 2003 was chosen to avoid the moral hazard of countries borrowing excessively after discussion on possible debt relief had started, in the hope of gaining relief on any new debt.

20 MDRI total costs were revised in 2021 during the IDA20 replenishment cycle. This revision put the total cost of the MDRI from inception to 2044 at US$33 billion, markedly below the total cost estimated in 2006 of US$37 billion. The pro rata cost to New Zealand declined, accordingly, from NZ$68.93 million to an estimated NZ$60.9 million.

21 In the 2021 revision, Cabinet agreed for New Zealand to continue supporting the MDRI by providing a firm commitment from 2021 to 2033, at an estimated cost of NZ$27.01 million, and a qualified (provisional) commitment over 2034 to 2044 at an estimated cost of NZ$7.47 million – in line with World Bank's request and the 0.13 percent contribution share (Cabinet minutes ERS-22-MIN-0020 and CAB-22-MIN-0218 refer).

22 MDRI total costs were again revised in 2025 as part of the IDA21 replenishment cycle to a total of US$32.8 billion (compared to US$37 billion estimated in 2006 and US$33 billion estimated in 2021). Consequently, the pro rata total contribution from New Zealand was recalculated to NZ$63.21 million over the life of MDRI. While depreciation of the New Zealand dollar against the United States dollar has translated into an increase from the previous revision (NZ$60.9 million in 2021), the total contribution from New Zealand remains well below the original commitment of NZ$68.93 million approved at MDRI's inception in 2006. To date New Zealand has paid NZ$38.59 million to MDRI.

23 The World Bank is now seeking a firm commitment from New Zealand of NZ$21.23 million for the period 2026 to 2036, and a provisional commitment to pay NZ$3.39 million for the period 2037 to 2044. This means that it is anticipated that the remaining 18 years of MDRI repayments from New Zealand will amount to approximately NZ$24.62 million, noting that this may fluctuate in line with future re-estimates.

24 Payments to the MDRI are decreasing as the original debt amounts are steadily reduced. The volume of forgone reflows for MDRI is projected to peak in 2026, thereafter decreasing and reaching zero by 2044. This means that the annual payment made in 2025 (NZ$3.17 million) is projected to be our highest annual contribution.

25 Practice to date has been to seek Cabinet approval to reconfirm MDRI contributions after each revision undertaken by the World Bank, reflecting the overall quantum. Considering reflows to the MDRI are projected to decline, and that the total remaining balance for New Zealand is only NZ$24.62 million, it is recommended that Cabinet delegates approval of future recalculations of New Zealand's contribution to the MDRI to the Minister of Foreign Affairs, as long as the cumulative amount of New Zealand's contributions does not exceed the NZ$68.93 million commitment New Zealand made at the MDRI's inception.

Governance

26 Officials advise they are satisfied with the implementation of the MDRI to date. Implementation is overseen by the boards of directors of the International Monetary Fund (IMF) and the World Bank. It is monitored through reviews undertaken by donors during IDA replenishment negotiations (approximately

every three years) and the mid-term review of each replenishment (eighteen months after inception). Audited financial accounts of the MDRI Trust Fund are published annually.

Impact

27 The IMF, World Bank, other economic analysts and officials judge that the MDRI has delivered its intended impact to date. The aggregate debt of low-income countries (which are the targeted recipients of both IDA and the MDRI) fell from a peak of 110 percent of GDP in 1994 to a low of 29 percent in 2012.

28 Low-income country (LIC) debt levels dropped sharply from crisis levels after MDRI's inception in 2006 and remained moderate until the global shocks between 2020-2022. Debt relief for LICs resulted in higher spending on infrastructure investments and social support, increased availability of multilateral concessional funding, and incentivised improved debt management practices. Although debt burdens have increased in recent years, with the median debt-to-GDP ratio rising from 27 percent in 2012 to 51 percent in 2025, these are still lower than pre-MDRI peaks.

29 That said, debt vulnerability risks persist. Re-accumulated debt post-2012 is attributed to new borrowing and external shocks, including a collapse in commodity prices, the COVID-19 pandemic, and Russia's invasion of Ukraine. Between 2022 and 2024, developing economies paid US$741 billion more in debt repayments and interest than they received in the form of new financing. Debt service payments are increasingly displacing social spending. Many LICs are at risk of becoming, if not already in, debt distress and the current conflict in the Middle East will add further pressure. However, analysts have concluded that debt vulnerabilities today remain substantially less alarming than in the period leading up to the MDRI (and its predecessor, the Highly Indebted Poor Countries (HIPC) initiative).

30 Overall, officials assess that the MDRI was a successful tool as a debt-reduction instrument in that it significantly diminished multilateral debt stocks and corresponding debt servicing, providing more breathing room during crises. It was not designed to prevent future debt problems, and today's debt vulnerabilities will require a different approach, noting that creditors are far more diverse and that domestic debt now plays a bigger role. MDBs and the IMF continue their strong advocacy and capacity-building to support developing countries to strengthen debt management and fiscal sustainability, including in the Pacific.

Alignment with New Zealand Priorities

31 In 2006, New Zealand supported the MDRI as one element in a global response to 'reset' debt owed by HIPC to MDB concessional funds. This reset also included increasing the provision of grant financing by MDBs for low-income developing countries at risk of debt distress (including small island developing states with limited borrowing capacity) and strengthened advocacy and technical assistance to improve the management of debt by such countries,

with the objective of freeing resources for the achievement of a country's development goals.

32 Reducing the risk of debt distress contributes to global economic stability and resilience at a time of increasing pressures and shocks. It aligns to New Zealand's International Development Cooperation (IDC) Programme's objective to invest in multilateral organisations to support sustainable and inclusive economic development, including effective debt management and investment in essential services, where those organisations have a scale and reach beyond what we can achieve bilaterally. New Zealand's engagement in the MDRI supports the multilateral system and the global rules-based order as it helps to protect MDBs' financial strength and free up lending capacity to continue supporting low-income countries in their development journey – offering a reliable alternative to the emergence of other lenders.

33 New Zealand is currently committed to contribute to the MDRI to 2033 and has repeatedly affirmed its provisional commitments to support the MDRI through to 2044. The World Bank plays an important role in providing development finance and technical assistance to the Pacific region, and although the MDRI does not impact Pacific Island countries directly, honouring our commitment showcases New Zealand's credibility as a shareholder and enhances our voice to continue advocating for the Pacific. There is no major change in the MDRI environment or impact that would justify New Zealand's exit from the MDRI.

34 Ceasing to contribute, or lowering the level of contributions, to the MDRI would run counter to New Zealand's support of targeted debt relief and the multilateral system. Further, securing agreement on the MDRI both among donors and with the World Bank was hard-fought at the time. Any decision to withdraw from, or reduce support for, the MDRI, would send a negative signal regarding New Zealand's commitment to the multilateral system at a time of increasing pressure. Almost all countries that signed up to contribute to MDRI are continuing to do so. s6(a)

Risk and Risk Mitigation

35 At MDRI inception the perceived risk associated with debt relief, and the subsequent initiation of grant financing for countries in debt distress, was that recipient countries might use the consequent fiscal space to again borrow excessively from financiers other than the MDBs on non-concessional terms. A further risk was that countries might deliberately borrow excessively to qualify for grant financing through being classified as being in debt distress.

36 To counter such risks, the World Bank and other MDBs, and the IMF, put in place incentives to discourage such behaviour, largely through partially and temporarily suspending access to concessional financing. These institutions also provide technical assistance to improve debt management practices.

37 These risk mitigation measures have been largely effective. Overall officials assess that risks associated with the MDRI are well mitigated.

Cost-of-living Implications

38 There are no cost-of-living implications.

Financial Implications

39 Cabinet agreement to continue to contribute to the MDRI will have no impact on the operating balance or on debt. The expenditure on MDRI will continue be met from existing baselines of Vote Foreign Affairs Non-Departmental Other Expenses – International Development Cooperation (Multi-Year Appropriation). Contributions to the MDRI are made annually and have been earmarked through to June 2027, and for subsequent years can be accommodated from the existing baseline.

40 The total cost of MDRI will be next revised by the World Bank in 2028, under the IDA22 replenishment cycle, targeted for the period 2029-2031.

Legislative Implications

41 There are no legislative implications.

Impact Analysis

Regulatory Impact Statement

42 No regulatory impact statement is required.

Climate Implications of Policy Assessment

43 There are no direct climate implications.

Population Implications

44 There are no population implications.

Human Rights

45 There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

46 The New Zealand Treasury was consulted in the preparation of this paper.

Communications

47 No media interest on this is expected. We will work with officials to manage any interest that may arise.

Proactive Release

48 We intend to release this Cabinet paper, or parts of it, proactively.

Recommendations

49 I recommend that the Committee:

1 **Note** that upon joining the MDRI, New Zealand agreed to contribute a 0.13 percent share of its total cost, equivalent to NZ$68.93 million, over 2007 to 2044.

2 **Note** that the total cost of the MDRI, and pro rata contribution from donor countries, is revised every three years by the World Bank to adjust for fluctuation in exchange and interest rates, eligibility of countries into the programme, and balance to be paid through to the end of the MDRI in 2044.

3 **Note** that Cabinet last re-affirmed support for the MDRI in June 2022 (ERS-22-MIN-0020 and CAB-21-MIN-0218 refers).

4 **Agree** that New Zealand continue to support the MDRI for a total estimated remaining cost of NZ$24.62 million to 2044, by providing:

(a) A firm commitment for 2026 to 2036, at an estimated aggregate cost of NZ$21.23 million, to be funded from existing baselines of Vote Foreign Affairs Non-Departmental Other Expense – International Development Cooperation (Multi-Year Appropriation); and

(b) a provisional commitment to meeting New Zealand's share of MDRI costs over 2037 to 2044, at an estimated aggregate cost of NZ$3.39 million.

5 **Agree** to delegate approval of future recalculations of New Zealand's contribution to the MDRI to the Minister of Foreign Affairs, within the overarching NZ$68.93 million commitment New Zealand made at inception in 2006.

6 **Note** that the World Bank will next revise the cost of the MDRI in 2028 as part of the IDA22 replenishment cycle, following which a further refreshed commitment by New Zealand will be sought.

Authorised for lodgement

Hon Wiston Peters

Minister for Foreign Affairs