

INTERNATIONAL MONETARY FUND (IMF)

Support to NEPAD

Period of Report: July 2007 to June 2008

The role of the IMF in low-income countries

The Fund, as party to the Monterrey consensus, and in support of NEPAD's overarching objectives, is working with international partners to promote growth and poverty reduction in low-income African countries. The operational contexts of this support are the national poverty-reduction strategies (PRS), which call for improved domestic policies, and the mobilization of domestic and external resources, including debt relief, for achieving the Millennium Development Goals (MDGs). In this overall effort, the Fund is focusing on its areas of expertise which are in fiscal, monetary, and exchange rate policies, as well as on other reforms and institutions relevant to macroeconomic stability. The Fund has also sought to integrate poverty and social impact analyses into the design of PRGF programs, for example in the areas of energy price reform, and tariff and trade liberalization. The Fund has assisted African countries in related areas of capacity building¹, and is also extending advice on adapting macroeconomic policies to handle the anticipated scaled up aid flows necessary for financing the MDGs. Apart from capacity building and policy advice, the Fund has assisted Africa's development efforts through direct financial support and debt relief (see below). In addition, the Fund has pressed in international fora for a successful conclusion of the Doha Development Round and for increased aid.

Financial support for sub-Saharan Africa

IMF continued to support the low-income countries of sub-Saharan Africa through the PRSP, PRGF,² and the HIPC processes. Table 1 (attached) shows the country by country breakdown of PRGF concessional loan disbursements and HIPC grants for the period 2003-07. For the PRGF, the share of low-income Africa in the total Fund support from the facility increased from a third in 2003 to close to 60 percent in 2007 while the same countries received 100 percent of all Fund HIPC assistance in 2007.

¹ In 2002 and 2003, the Fund established two Regional Technical Assistance Centers (AFRITACs) for the East and West African subregions. A third center was established for the Central African region in January 2007. The Centers provide technical assistance and training to countries in the Fund's areas of competence, such as revenue administration, public expenditure management, monetary operations, and macroeconomic statistics.

² Poverty Reduction and Growth Facility.

The Multilateral Debt Relief Initiative (MDRI)

IMF was the first multilateral financial institution to implement this initiative agreed upon by the major donors in 2005. The Fund gave 100 percent relief on debt owed to it by 18 low-income countries in sub-Saharan Africa (that had reached the HIPC Initiative completion point) by end-2007.³ The level of Fund relief varies greatly from 0.8 percent of 2007 GDP in Ethiopia to 10.6 percent of GDP in Sierra Leone (see attached Table 2). In 2007, the relief as measured by saved debt service obligations would average 36.3 percent of total government net foreign financing (including grants) for the 18 countries. Six other sub-Saharan African countries could qualify for debt relief once they reach the HIPC completion point, hopefully in the next two years.⁴

Collaboration with the NEPAD Secretariat

The Fund has supported the NEPAD Secretariat in a number of ways. Senior Fund staff have participated in various conferences hosted by the NEPAD Secretariat. Specifically, the Fund has been represented in the six consecutive meetings of the high-level Africa Partnership Forum, the last one of which was held in Maputo in May 2006. Also, the Fund's Resident Representative office in South Africa collaborates closely with the NEPAD and APRM Secretariats.

³ Benin, Burkina Faso, Cameroon, Ethiopia, Gambia, Ghana, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sao-Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

⁴ These countries include Burundi, Chad, Democratic Republic of Congo, The Gambia, Guinea, and Guinea-Bissau.

Table 1. Annual PRGF and HIPC Disbursements to Sub-Saharan Africa and Mauritania, 2003–07
(In millions of SDRs; unless otherwise indicated)

	PRGF loan disbursements					HIPC grants ¹				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
1 Angola	...	...	...	...	...	...	...	...	...	...
2 Benin	6.7	1.4	0.9	0.9	0.9	9.0	...	...	...	...
3 Botswana	...	...	...	...	...	...	...	...	...	...
4 Burkina Faso	3.4	3.4	10.3	12.9	0.5	...	11.6	...	...	...
5 Burundi	...	26.4	14.3	14.3	7.2	...	...	0.1	0.1	0.1
6 Cameroon	15.9	...	2.7	2.7	5.3	3.0	...	5.7	22.4	...
7 Cape Verde	2.5	1.2	2.5	...	...	...	...	...	...	...
8 Central African Rep.	...	...	...	...	20.7	...	...	...	...	...
9 Chad	5.2	...	4.2	...	...	2.9	...	1.4	...	...
10 Comoros	...	...	...	...	...	...	...	...	...	...
11 Congo, Rep.	...	7.9	7.9	7.9	...	...	...	...	...	...
12 Congo, Dem. Rep.	53.4	53.4	26.7	...	...	1.1	1.1	1.1	...	...
13 Côte d'Ivoire	...	...	...	...	...	...	...	...	...	...
14 Equatorial Guinea	...	...	...	...	...	...	...	...	...	...
15 Eritrea	...	...	...	...	...	...	...	...	...	...
16 Ethiopia	10.4	20.9	...	...	...	2.1	17.8	18.6	...	...
17 Gabon	...	...	...	...	...	...	...	...	...	...
18 Gambia, The	...	...	...	...	4.0	...	...	...	...	2.2
19 Ghana	52.7	26.4	26.4	79.1	...	15.2	69.2	...	...	...
20 Guinea	...	...	...	...	6.9	...	...	...	...	4.8
21 Guinea-Bissau	...	...	...	...	...	...	...	...	...	...
22 Kenya	25.0	-	50.0	...	75.0	...	...	...	...	...
23 Lesotho	3.5	7.0	...	...	...	...	...	...	...	...
24 Liberia	...	...	...	...	...	...	...	...	...	...
25 Madagascar	11.3	34.9	11.3	7.9	7.9	...	9.7	1.7	...	...
26 Malawi	6.4	...	5.4	9.8	6.7	4.6	...	4.6	25.6	...
27 Mali	12.9	1.3	1.3	4.0	2.7	29.4	...	...	...	...
28 Mauritania	0.9	...	...	...	8.4	...	...	...	...	...
29 Mauritius	...	...	...	...	...	...	...	...	...	...
30 Mozambique	8.4	1.6	3.2	3.2	3.3	...	...	...	...	...
31 Namibia	...	...	...	...	...	...	...	...	...	...
32 Niger	16.9	8.4	11.8	5.9	7.8	5.2	17.4	9.9	...	...
33 Nigeria	...	...	...	...	...	...	...	...	...	...
34 Rwanda	0.6	1.1	1.1	1.7	2.3	...	4.5	36.1	...	...
35 Sao Tome & Principe	...	...	0.4	0.8	0.8	...	...	...	...	0.9
36 Senegal	3.5	3.5	3.5	13.9	...	5.1	25.2	...	...	...
37 Seychelles	...	...	...	...	...	...	...	...	...	...
38 Sierra Leone	14.0	28.0	14.0	9.1	...	23.6	14.8	4.0	40.5	...
39 South Africa	...	...	...	...	...	...	...	...	...	...
40 Swaziland	...	...	...	...	...	...	...	...	...	...
41 Tanzania	17.8	5.6	5.6	2.8	2.8	...	...	...	...	...
42 Togo	...	...	...	...	...	...	...	...	...	...
43 Uganda	4.0	2.0	4.0	2.0	...	...	...	...	...	...
44 Zambia	...	165.1	11.0	16.5	27.5	...	...	156.7	...	...
45 Zimbabwe	...	...	...	...	...	...	...	...	...	...
Total (in millions of SDRs)	275.5	399.5	218.5	195.3	190.5	101.2	171.3	239.8	88.7	8.0
In percent of total Fund assistance	32.5	49.2	54.1	38.6	58.0	82.5	69.3	93.2	100.0	100.0
<i>Memorandum items:</i>										
Total (in millions of US\$)	385.4	592.0	322.8	287.4	291.6	141.5	253.9	354.3	130.5	12.3
Average annual exchange rate (SDR	0.715	0.675	0.677	0.680	0.653					

Source: IMF Finance Department, International Financial Statistics.

Not PRGF-eligible.

Not HIPC-eligible or not decision point reached

¹ Including interim assistance and/or disbursements at completion point.

Table 2. IMF Debt Relief

Country	US\$ millions (as of end-2007)	Percent of 2007 GDP	Percent of Government Net Foreign Financing (including grants)
Benin	52	1.0	29.0
Burkina Faso	90	1.3	18.1
Cameroon	255	1.2	75.2
Ethiopia	162	0.8	13.0
Gambia	15	2.2	36.0
Ghana	383	2.6	55.1
Madagascar	198	2.7	52.9
Malawi	56	1.6	12.0
Mali	108	1.6	29.0
Mozambique	154	2.0	15.5
Niger	112	2.7	39.0
Rwanda	76	2.3	18.4
Sao Tome & Principe	2	1.5	1.2
Senegal	145	1.3	57.9
Sierra Leone	176	10.6	33.2
Tanzania	338	2.1	44.3
Uganda	127	1.1	18.1
Zambia	582	5.2	105.5

Source: IMF.

Fund relief: IMF data provided by PDR/FIN. Figures refer to debt relief under MDRI/HIPC which was provided to the members when they qualified for MDRI relief.

Government net foreign financing (including grants): WEO submissions.

Quality of PEM systems: IDA and IMF paper on Update on the Assessment and Implementation of Actic Strengthen Capacity of HIPC's to Track.

Poverty-Reducing Public Spending (SM/05/134), April 12, 2005.