

# NEWS BRIEF

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International Monetary Fund  
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## **IMF Authorizes US\$121 Million in Disbursements to Yemen**

The Executive Board of the International Monetary Fund (IMF) authorized today disbursements to the Republic of Yemen totaling SDR 95.2 million (about US\$121 million) after reviewing the nation's performance under an economic program supported by Poverty Reduction and Growth Facility<sup>1</sup> (PRGF) and Extended Fund Facility<sup>2</sup> (EFF) credits (see [Press Release No. 01/6](#)).

Completion of the first and second reviews of Yemen's Third Annual Arrangement under the PRGF enables the release of SDR 68.75 million (about US\$87 million), which will bring total disbursements authorized under the PRGF component of Yemen's Fund-supported program to SDR 238.8 million (about US\$303 million).

The completion of the Fifth and Sixth Reviews under the EFF arrangement with Yemen would allow the Fund to release another SDR 26.4 million (about US\$34 million), although the authorities have indicated Yemen will not be drawing under this facility. Total disbursements under the EFF component of the Fund-supported program have amounted to SDR 46.5 million (about US\$59 million).

Following the Executive Board's discussion of Yemen's economic and structural reform program, Shigemitsu Sugisaki, Deputy Managing Director and Acting Chairman, stated:

"Yemen has successfully consolidated the gains achieved in macroeconomic stability in recent years. Macroeconomic policies remain on track and, despite setbacks in some areas, progress has been made in the structural reform agenda. Accordingly, the IMF has decided to

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complete the reviews and grant the necessary waivers with respect to the structural performance criteria that were not observed.

"Restraint on fiscal expenditure in 2001, in the face of large oil windfalls, has enabled the authorities to build up a substantial cushion of external reserves. By raising diesel prices by 70 percent, the authorities also achieved a substantial reduction in subsidies on petroleum products, and set the conditions for improving the structure of public spending towards more efficient and socially productive outlays. Revenue measures will also be needed to safeguard the fiscal position in the medium term, especially in view of the prospective decline in oil reserves. Following some regrettable delays, the authorities' commitment to continue working towards implementation of a broad-based value added tax at a single rate is encouraging.

"Structural reform is continuing, albeit more slowly than intended. The trade regime has been liberalized further; pension and civil service reform are underway; and targeted improvements in the investment law are expected to be adopted soon.

"A full Poverty Reduction Strategy Paper is being elaborated to clarify poverty reduction targets, improve the quality of public expenditure, and ensure that it is better targeted to poverty relief," Mr. Sugisaki said.

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<sup>1</sup> On November 22, 1999, the IMF's concessional facility for low-income countries, the Enhanced Structural Adjustment Facility, was renamed the Poverty Reduction and Growth Facility, and its purposes were redefined. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a poverty reduction strategy paper. This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an interest rate of 0.5 percent a year, and are repayable over 10 years with a 5½-year grace period on principal payments

<sup>2</sup> The EFF is an IMF financing facility that supports medium-term programs that seek to overcome balance of payments difficulties stemming from macroeconomic imbalances and structural problems. EFF loans carry a variable annual interest rate that is currently 3.73%. EFF loans are repayable over 10 years with a 4½-year grace period on principal payments.