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**IMF and World Bank Consider Côte d'Ivoire Eligible for Assistance Under the
Enhanced Heavily Indebted Poor Countries (HIPC) Initiative**

The Executive Boards of the International Monetary Fund (IMF) and World Bank have deemed, on a preliminary assessment, that Côte d'Ivoire is eligible for assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

To qualify for debt relief under the HIPC Initiative at the decision point, Côte d'Ivoire will need to take the following actions: continue satisfactory performance under the current Emergency Post-Conflict Assistance (EPCA) Program; reach understandings on appropriate completion point triggers pertaining to key economic, governance, and structural reforms that would support development in Côte d'Ivoire; put in place a poverty reduction strategy; and clear the arrears to multilateral creditors, or reach agreements with them on a strategy for arrears clearance.

In particular, the Executive Directors of the World Bank and the IMF have stressed the importance of implementing remedial measures regarding recent fiscal slippages related to extra-budgetary expenditure, including a full and transparent accounting for such expenditures in the budget, and to avoid slippages in the future.

On reaching the completion point under the HIPC initiative, Côte d'Ivoire would qualify for unconditional debt relief under the HIPC Initiative. It would also qualify for Multilateral Debt Relief Initiative (MDRI) debt relief from the World Bank's International Development Association (IDA), and the African Development Fund (AfDF), together with beyond-HIPC assistance from the IMF.

Following the IMF Executive Board discussion on December 12, 2008, John Lipsky, First Deputy Managing Director and Acting Chair said: "Côte d'Ivoire is potentially eligible for debt relief under the Enhanced HIPC Initiative and could reach the decision point under the HIPC Initiative in the coming months, together with the approval of a Fund-supported program under the Poverty Reduction and Growth Facility.

“The authorities have made progress in implementing economic reforms. They are encouraged to strengthen fiscal performance, particularly by curtailing extra budgetary expenditure. The authorities have also cleared arrears to the World Bank, and expect to fully clear arrears to the African Development Bank in the near future. They are taking steps to regularize relations with remaining multilateral, bilateral, and commercial creditors.”

Following the World Bank Executive Board discussion on December 16, 2008, Country Director for Cote d’Ivoire, Madani Tall, said “This will help generate greater fiscal space for the country to invest in much needed social services, notably in health, education and rural development. It will also help strengthen the country's efforts to consolidate peace and renewal.”

ANNEX

The HIPC Initiative

In 1996, the World Bank and IMF launched the HIPC Initiative to create a framework in which all creditors, including multilateral creditors, can provide debt relief to the world's poorest and most heavily indebted countries, and thereby reduce the constraints on economic growth and poverty reduction imposed by the debt-service burdens in these countries. The Initiative was modified in 1999 to provide three key enhancements:

Deeper and Broader Relief. External debt thresholds were lowered from the original framework. As a result, more countries have become eligible for debt relief and some countries have become eligible for greater relief;

Faster Relief. A number of creditors began to provide interim debt relief immediately at the "decision point." Also, the new framework permitted countries to reach the "completion point" faster; and

Stronger Link Between Debt Relief and Poverty Reduction. Freed resources were to be used to support poverty reduction strategies developed by national governments through a broad consultative process.

To date, thirty four countries have reached their decision points under the enhanced HIPC initiative, of which twenty three have reached the completion point.

Note to Editors:

- Cote d'Ivoire has a population of 18.9 million, and a GNI per capita (2006)ⁱ \$860
- Measured by the Human Development Index (2006) Côte d'Ivoire is ranked 164th out of 177 countries.
- Up to 3,000 persons were killed during Côte d'Ivoire's civil conflict and up to 700,000 persons were displaced.
- Poverty increased from 38.2% just before the crisis in 2002 to 43.2% in 2006.
- Although still one of the largest economies in the region (accounting for close to 40% of the economic activity in the West African Economic and Monetary Union - WAEMU), the recent conflict has taken a toll on the country's economic development: In 2000–06, average economic growth turned negative (-0.1 percent) and was well below the rates in the rest of WAEMU (4.1 percent) and sub-Saharan Africa (SSA, 4.9 percent).
- Helped by reunification, the economy registered a modest recovery in 2007. The medium-term macroeconomic outlook is based on the assumption of a durable resolution to the conflict and a steady recovery. Real GDP growth is projected to gradually pick up from stagnation during the 2000-06 years of crisis and settle at around 4.5 percent during 2008-10.
- Arrears to the Bank were cleared on April 2, 2008. Four projects for a total of US\$104 million are being reactivated and three new projects are scheduled to be presented to the Board before end June 2008 for a total of US\$120 million.

ⁱ Provisional, African Development Indicators 2008/09 – World Bank